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| Austria | Sch 15 | Indonesia | Rp 2500 |
| Bahrain | Din 0.550 | Italy | L 1100 |
| Belgium | BFr 36 | Japan | Y 650 |
| Canada | C$2.50 | Jordan | Fils 500 |
| Cyprus | Mils 600 | Kuwait | Fils 500 |
| Denmark | DKr 7.00 | Lebanon | L£ 6.00 |
| Egypt | LE1.00 | Luxembourg | LFr 35 |
| Finland | Fmk 5.50 | Malaysia | Rs 4.25 |
| France | Fr 5.50 | Mexico | Pes 300 |
| Germany | DM 2.00 | Morocco | Dh 6.00 |
| Greece | Dr 60 | Netherlands | Fl 2.75 |
| Hong Kong | HK$ 12 | Norway | Nkr 8.00 |
| India | Rup 15 | Philippines | Pes 20 |
| Portugal | Esc 85 | S. Arabia | Rls 6.00 |
| Singapore | S$4.10 | Spain | Pta 95 |
| Sri Lanka | Rup 30 | Sweden | Skr 8.00 |
| Switzerland | SFr 2.0 | Taiwan | NT$65 |
| Tunisia | Din 0.800 | Turkey | L 180 |
| U.A.E. | Dh 6.50 | U.S.A. | $1.50 |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,129 Monday September 26 1983 D 8523 B


**U.S. pressure groups bid to block IMF contribution, Page 3**



# NEWS SUMMARY

## GENERAL

# Reagan's nuclear cuts plan for UN

**President Ronald Reagan will reveal his new proposals for limiting intermediate-range nuclear missiles in Europe to the United Nations General Assembly in New York today.**

He is expected to emphasise his Administration's peaceful intentions. His main proposal is thought likely to be a call for a global limit on intermediate-range weapons, allowing the Soviet Union to choose how many it would base in western Europe, which the U.S. would match, and how many in Asia. Page 2

Disagreements between Greece and its EEC partners may prevent Greek Foreign Minister Yannis Charalambopoulos, current president of the EEC Council of Ministers, from speaking to the General Assembly on behalf on the Ten. EEC foreign ministry officials will make a final effort today to agree the text. Page 18

British Premier Margaret Thatcher leaves today for three days in Canada, followed by three days in the U.S., her first North American trip since her re-election in June. Deployment of missiles, disarmament, Lebanon, and the world economic situation will be on her agenda.

### Talks on arms deals

The British, French, and West German air forces are to try to harmonise requirements for a new agile fighter aircraft. Page 18. Arms deals are believed to be high on the agenda of U.S. Defence Secretary Caspar Weinberger on his five-day visit to China. Page 2

### Kenya election fights

Riot police in Kenya, a one-party state, baton-charged fighting factions at election rallies in at least four towns. At least two people have died in campaign violence. Polling is today. Page 2

### Marcos warning

Philippines President Ferdinand Marcos warned opposition groups that his Administration had discarded its policy of "maximum tolerance" and would meet force with force. He blamed Communist elements for riots. On Saturday night 13 people were killed when grenades were tossed into a crowd watching a beauty contest at Davao, 500 miles (800 km) south of Manila. Page 2

### Terrorists escape

A prison officer was stabbed to death and another shot in the head when 38 convicted terrorists escaped from Belfast's Maze prison and hijacked cars on the nearby motorway. Fifteen were caught soon afterwards.

### Curfew in Nablus

Israel put parts of West Bank city Nablus under curfew after two Israeli soldiers and three Palestinian residents were injured in a grenade attack.

### Sudan empties jails

Sudan's President Jaafar Nimeiri has freed all prisoners in the country's jails, including those awaiting execution, because they had been sentenced under a non-Islamic code.

### Piquet's win

Nelson Piquet (Brazil, Brabham) won the European motor grand prix at Brands Hatch, England, but runner-up Alain Prost (France, Renault) leads him 57-55 in championship points.

### Briefly . . .

Mozambique detained a white South African border-crosser found carrying a bomb.

London doctors found a new, effective contraceptive, an ingredient in a heart treatment drug.

## BUSINESS

# Zanussi expects another big loss

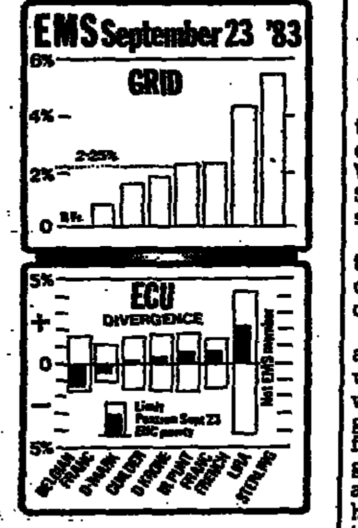
● ZANUSSI, the Italian home electrical goods maker, expects a 1983 loss in line with last year's L130bn ($81.2m), with debts, L870bn at the end of 1982, up to L1,000bn. Page 20

● THE FRENCH franc fell to a record low against the D-Mark in the European Monetary System last week, but remained within its cross-rate limit.

At the same time, the French currency was trading close to its upper intervention limit against the Belgian franc, attracting central bank activity in order to maintain agreed parity limits.

The Belgian franc was consequently lower against the D-Mark, and continued to show the effects of the nationwide strike by public service workers. However, it remained within its divergence limit but was again the weakest currency within the system.

The lira lost ground, touching lows against the D-Mark and guilder, but remained the strongest currency with the system.




*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.*

● EEC industry ministers in Athens agreed to adopt proposals for the urgent development of high technology industries to match the U.S. and Japan. Page 2

● CONFEDERATION of British Industry monthly survey forecasts a slowing of the rate of growth in 1984. Page 7

● WORLD BANK is borrowing $100m from investors in Asia and the Middle East at 11.5 per cent over five years.

## COMPANIES

● BMW, the West German vehicle group, is spending DM 500m ($187m) on a new range of motorcycles, and plans to raise production from 30,000 a year to 45,000 by 1986. Page 18

● FORD U.S. workers at the Rouge complex near Detroit have bowed to management pressure and agreed to wage and benefit cuts. Page 18

● CANTERRA ENERGY, the oil and gas exploration arm of the government-controlled Canada Development Corporation has left an Arctic well-drilling venture in the Beaufort Sea led by Gulf Canada. Du Pont Canada has dropped C$300m ($243.5m) plans for a polyethylene plant near Edmonton, Alberta, because of falling demand.

● BALFOUR BEATTY of the UK and consortium partners Asea and Skanska of Sweden are understood to be seeking $150m compensation from Indonesia for the cost of delaying a West Java hydroelectric project. Page 4

# Syria and Saudi Arabia announce Lebanon ceasefire agreement

BY REGINALD DALE IN NEW YORK, PATRICK COCKBURN IN BEIRUT AND DAVID MARSH IN PARIS

SYRIA and Saudi Arabia last night announced that a ceasefire agreement had been reached that would end fighting in Lebanon.

In New York, President Ronald Reagan welcomed the announcement as a first step but gave a warning that "there was still a long road to go."

He said: "Now they can get down to the real business of settling the issues and, we hope, bring about peace and the solution to the Lebanon problem."

As the time for the announcement approached, heavy fighting flared up again in the hills south east of Beirut where the Lebanese army has been battling with Syrian-backed Druze militias. The fighting appeared to be concentrated between the town of Aley and Souq al-Gharb, scene of the fiercest exchanges during the past fortnight.

U.S. Marines were also coming under heavy mortar and shell fire at Beirut airport. One marine was reported wounded by shrapnel.

The Lebanese government believed that it was on the brink of a ceasefire agreement on Friday evening, but its hopes were dashed by new Syrian demands. There was no indication last night whether President Gemayel had acceded to the Syrian conditions.

The Syrians have insisted that the decisions of a national reconciliation conference to be held after a ceasefire, should have mandatory force.

The Lebanese Government has already conceded that its forces should hold their present positions and not be deployed in the mountains held by the Druze militiamen, led by Mr Walid Jumblatt.

Skirmishing also continued yesterday between Shia militiamen and the army in the southern suburbs of Beirut, which are not under government control. Two U.S. marines were wounded by sniper and shellfire.

The U.S. has meanwhile turned down a call by Britain, France and Italy for greater flexibility towards Syria and Lebanese Moslem forces in an effort to secure a ceasefire agreement, according to Washington diplomatic sources.

The three European countries, the U.S.'s partners in the multinational peacekeeping force, reportedly urged concessions in the ceasefire negotiations for Lebanon's Moslem majority, greater diplomatic efforts to accommodate Syria and the withdrawal of some of the peacekeeping forces' warships away from the Lebanese coast as a signal to Syria that the force was seriously interested in a ceasefire.

The U.S., however, turned down the "general thrust" of the European initiative on the grounds that it would have undermined U.S. objectives in the Lebanon, the Washington Post reported yesterday. U.S. officials said that the proposals would have sent "mixed signals" to the rival forces in the fighting.

U.S. officials would not disclose what specific concessions the Europeans had suggested. They said that the general intent was to stress that the multinational force, and particularly the U.S., should make it clear that it would not give President Gemayel a completely free hand in conducting the war and the negotiations.

Another aim was to demonstrate that the Europeans were not interested in isolating Syria diplomatically.

The U.S. reaction has not deterred the three European nations from pressing ahead with their own combined effort to secure a ceasefire. A UK Foreign Office spokesman said in London yesterday that "our approaches are intended to supplement, not undercut, U.S. efforts."

The initiative was prompted by fears in the European capitals that role of peace-keeping force was becoming a domestic political issue. There has also been deep concern at the attitude of the White House towards the use of force in Lebanon.

# IMF in deadlock as Group of Ten holds up $3bn loan

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN WASHINGTON

**The leading industrial countries have refused to bow to pressure from the International Monetary Fund to agree to a $3bn loan to tide it over a period in which its help to the world debtor nations will be greater than the resources it has been promised.**

The failure to agree to the loan in the run-up to yesterday's meeting of the Fund's interim committee in Washington means that a matching $3bn loan from Saudi Arabia will also be held up.

It also means the Fund will continue its recently announced policy of making no new commitments to debtor countries.

The country most immediately affected by this embargo is Nigeria, which has an outline agreement with the Fund for a $2bn programme but has not yet received formal approval. A $400m programme of assistance to Portugal is also in question, as well as the hopes of several smaller countries to obtain IMF's help.

The IMF originally hoped that the $3bn loan and the matching $3bn Saudi finance would be agreed before this week's annual conference, even though the U.S. had made clear that it would have no part in it.

The failure to agree to the bridging loan at the meeting of the Group of Ten industrial countries was matched by a general deadlock yesterday and on Saturday over the maximum amount of assistance the Fund should be allowed to offer members next year.

The U.S. continues to take a line which other members consider unacceptably tough. At yesterday's interim committee meeting, the U.S. Treasury Secretary, Mr Donald Regan, argued that members should not be entitled to any increase in assistance in cash terms in spite of the agreement earlier this year that all members should raise their quota subscriptions to the Fund by nearly 50 per cent.

The U.S. Administration's markedly tougher line and the hold-up of the $3bn loan are both seen here as part of a huge, long-distance poker game with the U.S. Congress which has still not recognised the quota increase agreed by the Administration.

Ministers are still proceeding on the assumption that the increase will be agreed before the January deadline. Nevertheless, anxiety about what might happen to the world monetary system if Congress should refuse to pass a Bill sanctioning the increase has so far dominated every aspect of discussions here.

European ministers generally agree that a failure by the U.S. to pay the increase would precipitate a crisis for the Fund, with ripples spreading throughout the world financial system, although they still believe agreement will eventually be reached.

Even so, they were unwilling to agree to the $3bn loan to the Fund, even on condition that Congress passes the necessary Bill. Yesterday it seemed unlikely that any formal announcement would be made during this week's series of IMF meetings.

Informally, however, there does appear to be an understanding that the Fund must be given the loan it requires as soon as it appears that tactical pressure can be taken off Congress. The loan was held up earlier this month because of reluctance by West Germany to give it the go-ahead in view of the logjam in Congress and the refusal of the U.S. to take part in the loan.

However, Herr Helmut Schlesinger, deputy governor of the Bundesbank, the West German central bank, said at the weekend that he did not believe that they were now out of step with the general position of other European nations over this issue.

Other delegates suggest that the West Germans might be softening their position as a result of some elaborate financial horse trading by which the U.S. could provide assistance to Brazil.

Intense private discussions have been taking place about the gap which still remains between Brazil's need for new credit and the ability of the commercial banks and the Fund to provide it.

**Pressure groups seek to block U.S. contribution, Page 3**

# Agreement on Brazil rescue now 'urgent'

BY PETER MONTAGNON IN WASHINGTON

THE INTERNATIONAL Monetary Fund has called a special meeting of Brazil's creditors here today amid concern over slow progress on the country's proposed new $11bn international debt rescue package.

At the meeting Mr Jacques de Larosière, IMF managing director, will tell top-ranking commercial bank creditors and representatives of major central banks that outline agreement on the new package has become urgent now that Brazil has agreed to accept a new economic austerity programme.

Progress towards an agreement has been held up by differences of opinion among Brazil's commercial bank and government creditors over how the financial burden should be shared in the new rescue effort. Mr de Larosière is understood to feel that the presence in Washington of so many creditors at this week's IMF meeting offers an excellent opportunity to reconcile these differences.

Nonetheless Brazilian officials remain guarded over the chances of an outline package being agreed this week. "We still have some ground to cover," said Sr Ernane Galveas, the Finance Minister, adding that no further meetings of the key 13-bank advisory committee which is chaired by Citibank have been scheduled for the time being.

Holding up the package has been the unwillingness of commercial bank lenders to recommend new loans of more than $6bn for Brazil. At the same time government creditors are finding it hard to agree on who should put up the balance of the money.

Their response has been "less than enthusiastic," said one leading commercial banker yesterday. "We've now got to place our faith in Mr de Larosière's great influence and ability to galvanise people into action."

Brazil badly needs a fresh infusion of credit to reduce arrears on its foreign debt service amounting to some $2.5bn. Brazilian officials said yesterday that the country's large trade surplus will not be enough to eliminate these arrears by the end of the year and the country will need some bridging finance as well as the new $11bn package of new loans.

Many government creditors, however, face serious political contraints in granting new money. For example, the U.S., whose Eximbank recently announced a $1.5bn export credit facility for Brazil risks being accused by Congress of "bailing out the banks" if it agrees to more large loans.

Resistance to a government package is also coming from some European countries. UK officials are concerned about the impact on public opinion of British loans to Brazil at a time of sharp cutbacks in public spending on social services.

Both commercial bank and government creditors are also waiting to see whether Brazil's controversial new salary law limiting wage increases to 80 per cent of inflation passes the local congress before making any firm commitments. Rejection of the law would undermine Brazil's ability to stick to the terms of its new IMF austerity programme.

# Hong Kong considers monetary reforms

By Robert Cottrell in London

THE HONG KONG Government is considering what may prove fundamental changes to the colony's monetary system to counter the recent sharp depreciation of the Hong Kong dollar. The Government said yesterday it is actively developing a scheme which would give it "a more significant role" in determining the exchange rate of the local currency.

On Saturday the currency had its worst-ever day, falling 8 per cent to close at HK$9.45-HK$9.60 against the U.S. dollar. The large spreads reflect the nervousness of banks towards dealing in so volatile a market.

In the last week, the Hong Kong dollar has lost 18 per cent of its value against the U.S. dollar, a drop which also prompted a slump in local share prices as brokers feared a possible rise in local interest rates.

The sharp depreciation of the currency is due largely to political uncertainty over Hong Kong's future as Britain's lease approaches expiry in 1997. Over the last year, the Hong Kong dollar has lost one-third of its value on a trade-weighted basis.

The currency has floated freely on world exchanges since 1974, having previously been "pegged" successively to the pound sterling, then to the U.S. dollar. While yesterday's statement did not commit the Government to restoring a pegged exchange rate for the Hong Kong dollar, it did suggest such a move may be in prospect. The statement did *not indicate whether this might be* against a single major currency, *such has sterling, or a combination* of currencies, or at what rate.

**Continued on Page 18**

# Continental Airlines files for protection

BY TERRY DODSWORTH IN NEW YORK

CONTINENTAL Airlines, the eighth largest U.S. air carrier, has temporarily grounded its domestic aircraft and asked for the protection of the bankruptcy courts while it pushes through an emergency wage reduction plan. In an accompanying measure, 8,000 of its 12,000 workforce are being laid off.

Based in Houston, Continental has been hit hard by the slump in U.S. air travel, losing a total of $400m since 1979, of which $84m was run up in the last half year.

The airline has since been attempting to cut costs through a radical co-ownership project, in which the workforce was offered a 25 per cent share in the company's profits and a 35 per cent stake. In return, the company has been demanding roughly $250m of annual wage and productivity concessions.

The project is similar to one agreed this weekend at Western Airlines, the big Los Angeles-based carrier. Leaders of all five Western unions agreed to wage concessions in exchange for 27 per cent of the company's stock and a seat on the board. The scheme, if approved by union members, will save Western $40m a year.

At Continental, failure to reach agreement on its plan appears to have triggered the decision to file for reorganisation under Chapter 11 of the Federal bankruptcy law – a procedure which gives the company protection against its creditors while it reorganises its finances.

It is maintaining its international services to South America and the South Pacific, and will be offering the unions new terms on which it hopes to resume domestic flights on Tuesday.

Mr Frank Lorenzo, chairman of Continental and president of Texas Air Corporation, which has a majority stake in Continental, said that the grounded airline had "exhausted every possible means of continuing"

*In a letter to employees, Mr Lorenzo* added that the terms on which *the company would be offering employment* would be "vastly different from those in effect prior to the filing of the bankruptcy petition. We must operate with marketplace labour costs."

Continental's main area of operations is on southern U.S. routes, particularly between Houston, Denver and New York. After Texas Air acquired the company in 1982 some of the joint operations were combined.

Ford wins wage cuts, Page 18

# CDU loses ground in Hesse

By Jonathan Carr in Bonn

WEST GERMAN Chancellor Helmut Kohl's Christian Democrat Party (CDU) suffered unexpectedly sharp losses in a key regional election yesterday in the state of Hesse.

In the first major test of voter opinion since the general election in March, the CDU slumped from 45.6 per cent in Hesse a year ago to little more than 38 per cent.

This means the CDU must *abandon its hopes of forming a* Centre-Right coalition government *in Hesse, as it has at* national level in Bonn, with the liberal Free Democrats (FDP).

The FDP picked up strongly from only 3.1 per cent last September to around 8 per cent this time – but a lot of these gains were at the expense of its potential CDU government partner.

The Social Democrats (SPD), in government in Hesse for more than three decades, also increased their share of the vote from 42.8 per cent to more than 46 per cent.

*But – as has been the case over* the last year – the SPD is still

**Continued on Page 18**



## CONTENTS

# OVERSEAS NEWS

## Arms sales high on Weinberger agenda in China

BY MARK BAKER IN PEKING

CLOSER co-operation between China and the U.S. on military equipment is expected to be a key issue during a five-day visit to China by Mr Caspar Weinberger, the U.S. Defence Secretary.

Recent negotiations between the two countries on high technology transfers and peaceful nuclear co-operation are opening the way for China to buy a much wider range of arms and equipment with military applications.

China is believed to be interested in anti-tank and anti-aircraft weapons and advanced radar systems.

It is believed that the amount of equipment which the U.S. is prepared to sell will be influenced by assessments which Mr Weinberger makes in his talks with China's Defence Minister, Mr Zhang Aiping, and other military leaders.

Washington has already agreed to upgrade China's export rating to enable sales of more sophisticated technology, including computers with military applications, but the extent of the liberalisation has not been made clear.

The visit by Mr Weinberger, who arrived in Peking yesterday, highlights a significant improvement in relations between the two countries.

A number of serious disputes have been solved or soothed and the Reagan Administration appears to be adopting a deliberate course towards reconciliation.

The two sides have resolved textile quotas and are close to an agreement under which U.S. companies would be able to bid for multi-billion dollar contracts to build power stations in China.

But the main obstacle to any further improvement in relations is U.S. support for Taiwan, and in particular its continuing arms sales to the Nationalist Chinese.

**China has attacked Mrs Margaret Thatcher, over comments on Hong Kong, writes Mark Baker in Peking. It refuted her claim that the sharp drop in the value of the currency and shares was linked with "the great political and financial uncertainty" about the colony's future, and said that "economic card-players" were to blame.**

## Marcos to 'meet force with force'

MANILA — President Ferdinand Marcos of the Philippines yesterday warned opposition groups that his administration had discarded its policy of "maximum tolerance" in dealing with anti-Government violence and would meet force with force.

"Do not test the force and strength of the Government," he said on television. He blamed Communist elements for riots last week in which 10 people were killed and about 150 injured.

President Marcos said some people were trying to bring Communist guerrillas belonging to the outlawed New People's Army (NPA) into Manila. He vowed the military would stop them, using force if necessary.

Fifteen people were killed last night in a guerrilla attack attributed by police to the NPA. They died when three grenades were thrown into a crowd watching a beauty contest at Davao, 500 miles south of Manila.

Opposition officials said a series of protest marches have been planned for this week as part of a campaign to end President Marcos's rule. They hold the Government responsible for the murder of opposition leader Benigno Aquino, who was assassinated on his return here after three years of self-imposed exile in the U.S.

The President pledged to bring to justice everyone, including business executives, responsible for the riots.

Reuter

## U.S. entrepreneurs down but not out

BY TERRY DODSWORTH IN NEW YORK

IS THE entrepreneurial spirit on the wane in the U.S.? Yes, it is, says a sample group of New York's small businessmen. Yet, as far as they are concerned, as they struggle on against the tide, pressurised by stress, hounded by authority, ignored by the banks and pounded by the recession, there is no better way of life.

A Chemical Bank survey of 100 small companies – defined as those with sales of between $500,000 and $5m a year – reveals that the businessmen who run them are an enormously satisfied group of people. Just over 90 per cent said they would choose the same course if they could start over again, and virtually the same amount said that the rewards had outweighed the risks.

The spur to their drive is partly financial, but just as much the idea of personal fulfilment, and even more the freedom to be one's own boss. "They see themselves essentially as rugged individuals, independent, successful, upstream swimmers ready to meet all challenges," says Mr William Wulfing, vice-president and head of Chemical Bank's small business unit.

Perhaps some of the buoyancy derives from weathering the recession. The survey was conducted a couple of months ago, when the recovery, dating statistically from the latter end of last year, was well underway. Most of the respondents claimed they had not felt its effects at all so far. But they seem to have emerged from the bloodletting of the last three years with a renewed sense of confidence, and the majority felt their businesses were now in better financial shape.

Small businessmen also seem to derive some strength and satisfaction from a siege mentality. Virtually the only external institution which attracts much support from them is the accountancy profession. Banks, they think, do not help them very much, and both the local authorities and the public school system are given very black marks. Even President Reagan's drive against over-regulation is dismissed out of hand as totally ineffective.

During the recession, they have also become more obsessed by inflation and interest rates, two factors which may be undermining their own risk-taking drive, and thus influencing their observations about decline in entrepreneural spirit.

But this, as the survey shows, is extremely difficult to define. Anyone who has ambled through New York and observed the constructions with which the nation's former captains of industry have tried to immortalise themselves, would imagine that any entrepreneur is aiming to build a family empire.

Not at all, say the small businessmen. Only one in three has made any arrangement to pass on the company to his children, and most want their offspring to go into a big company.

## Ministers give priority to high technology

BY ANDRIANA IERODIACONOU IN ATHENS

EEC INDUSTRY ministers meeting informally in Athens over the weekend have agreed to adopt the European Commission's proposals for the urgent development of high technology industries to catch up with U.S. and Japanese competition.

A complete high technology proposals package covering information technology, telecommunications and biotechnology will be submitted for discussion at the Athens summit meeting in December. High technology issues dominated the Saturday meeting at the expense of discussions on the problems afflicting traditional European industries.

UK participants in the Saturday meeting expressed great enthusiasm for the principle of giving high technology sectors priority in future EEC industrial policy. They said Britain feels that only by catching up with the "third industrial revolution" will the EEC resolve its long-term problems of industrial competitiveness and unemployment. But they expressed reservations on the financing of high technology, research and development.

As a first step ministers this weekend unanimously approved Esprit, a 10-year 1.5bn Ecu (£850m) Commission-proposed programmed for research and development in information technology. The programme envisages an equal sharing of costs between governments and industry but officials said financing details would be finalised at the December summit.

In the next 15 days the Commission is expected to bring forward before the Council similar detailed programmes for telecommunications and biotechnology.

The decisions of Saturday's meeting are a direct follow-up of a mid-September note by the Commission to EEC member states stressing the need for a concerted approach towards high technology development and the need to develop the Community's internal market which is currently dominated by U.S. and Japanese imports.

## Reagan to outline missile proposals

By Reginald Dale, U.S. Editor, in New York

PRESIDENT Ronald Reagan is to unveil his new proposals for limiting intermediate range nuclear missiles in Europe in an address to the United Nations General Assembly in New York today.

He is expected to use the occasion to stress his Administration's peaceful intentions and underline the contrasts between the nature of government in the U.S. and the Soviet Union.

The main feature of the proposals is expected to be a call for a global limit on the intermediate range weapons, allowing the Soviet Union to choose how many it deployed in Asia and how many in Western Europe.

The U.S. would only deploy enough warheads to match Soviet weapons in Europe, thus falling short of the "global" total to which it was entitled. The U.S. has never sought to match the Soviet weapons in Asia.

If the total was low enough, it would mean that the Soviet Union would have to reduce the numbers of its weapons in the European theatre if it wanted to maintain missile deployment in the Far East, officials said. The new total, however, would be higher than figures the U.S. has so far suggested for the European theatre alone.

One Administration official said that the new total could run as high as 625 warheads, more than the 572 Cruise and Pershing II warheads that Nato is planning to start deploying in Western Europe in December. Mr Reagan, however, is unlikely to mention a specific figure in today's speech as the U.S. still wants to negotiate as low a total as possible.

The proposals, tabled at the Geneva negotiations with the Soviet Union last week, are also expected to include an offer to reduce the numbers of the ballistic Pershing II in the same proportion as any cuts negotiated for the slower flying Cruise missiles.

## Israel's Labour Party sets out unity conditions

By David Lennon in Tel Aviv

THE ISRAELI Labour Party will demand agreement to an immediate withdrawal from Lebanon, a halt to settlement on the West Bank and a new policy towards Jordan as the price for joining a national unity Government.

After a heated debate yesterday Labour's leadership bureau voted to accept the invitation from Mr Yitzhak Shamir, leader of the ruling Likud bloc, to discuss the establishment of a national unity Government.

But few in Labour believe that the two parties will be able to reach agreement on a common programme for such a Government. The decision to speak with Mr Shamir is more a tactical move designed to show the public that Labour is willing to consider national unity.

## W. Berlin SPD votes against missiles

WEST BERLIN'S opposition Social Democrat Party—until recently one of the most conservative SPD's in West Germany—voted against the deployment of new U.S. missiles in West Germany at the present time, writes Leslie Colitt in Berlin. The result conformed with a massive shift which has taken place within the SPD against the missiles.

## Kenya goes to polls today

KENYA'S 7m voters go to the polls today in an election dominated by personalities and parish pump concerns but marking a crucial stage in President Daniel arap Moi's efforts to assert his authority, writes Michael Holman in Nairobi.

Last May the President alleged that unnamed foreign powers were grooming "a certain person"—later named in Parliament as Mr Charles Njonjo, then Minister of Constitutional Affairs—to succeed him. He brought forward the general election by over a year in order, he said, to "cleanse the system of corruption and disloyal politicians."

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## OVERSEAS NEWS

# Ministers see little scope for de-linking interest rates

BY MAX WILKINSON, ECONOMICS CORRESPONDENT IN WASHINGTON

INTERNATIONAL MONETARY FUND
**Annual Meeting**

FINANCIAL leaders of the major developed countries agreed at a private meeting in Washington at the weekend that there was only limited scope for them to cut links between domestic interest rates in Europe and those in the U.S.

The consensus emerged during a cautiously optimistic discussion about economic prospects among the Group of Ten richest nations (now 11 including Switzerland) in the run-up to the main sessions of the International Monetary Fund this week.

However, many European finance ministers remain very anxious about whether the recovery will be sustained after next year if the U.S. continues to run a huge budget deficit and world interest rates remain at present high levels.

Although various schemes have been discussed for "de-linking" European interest rates from the influence of the U.S. ministers agreed that the inflationary risk of a sharp slide in their currencies would be too great if any large interest rate gap opened up.

Almost all the countries reported improved prospects for their economies and this was reflected in so far unpublished projections by IMF staff for the world economy made available to the meeting.

These suggested that a 2 per cent growth in output in the industrialised world during this year would accelerate to 3.3 per cent through 1984.

The forecasts represent an upward revision of about half a per cent from the most recent projections, earlier this summer.

For the U.S. the IMF expects growth of 2.9 per cent this year and 4.3 per cent next year compared with its previous estimate of 2.5 per cent this year and 3.5 per cent in 1984.

These slightly higher expectations were reflected in comments to the meeting by Mr Emile van Lennep, the Secretary-General of the Organisation for Economic Co-operation and Development. However, it appears that the OECD Secretariat in Paris has not yet revised its projected growth rate upwards by any very significant amount.

The ministers' anxiety focused on the U.S. Administration's failure to reduce its deficit and Mr Ronald Regan, the U.S. Treasury Secretary gave them no comfort.

He spoke after a long and embarrassed pause at the end of contributions from officials and immediately dampened any hope that the U.S. Administration was moving closer to the general position of the industrialised nations. He said that the U.S. could not consider action to curb the deficit which might involve raising taxes and so reduce the prospects for economic growth.

This was in the words of Mr Jacques Delors, the French Finance Minister a "mirror image" of the strategy of most other developed countries which are pursuing recovery though tight financial policies.

# Bleak view from the Third World

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

DISCUSSIONS by the poorest group of nations in the run-up to the main meetings of the International Monetary Fund in Washington this weekend made an unusually bleak contrast to the separate talks among richer countries.

While the richer "Group of Ten" nations were failing to agree on any measures to increase the resources of the Fund or the flow of help to debtor countries, the Group of 24, representing the Third World, were discussing the worsening position of many of their members.

In their final communique, the Group of 24 ministers said that total outstanding debt of the developing countries without oil resources had risen to $600bn by the end of last year and that the annual debt service had reached $100bn.

At the same time, the world recession had driven real commodity prices to their lowest for 45 years. Most of the Finance Ministers and central bankers from these countries were also pessimistic about the extent and durability of world economic recovery.

They said in their communique that the continuing recession and stagnation in many parts of the world "might well frustrate the incipient recovery."

This pessimistic outlook for the world as a whole was the main pillar of their argument for strengthening and widening the role of the IMF.

In particular, they urged:

- Urgent discussions about future increases in quota subscriptions to the IMF, even though the 45 per cent increase to SDr 90bn (£63bn) has still not been ratified by the U.S. Congress.
- No change in the present rules which allow members to apply for assistance of up to 150 per cent of their quota in any one year with an overall maximum of 450 per cent.
- Easier conditions to be applied by the Fund to its lending and other financial assistance to debtor countries.
- Early agreement by the industrialised nations and Saudi Arabia to go ahead with their $6bn loan to the Fund.
- Annual handouts in new SDR allocations of SDR 15bn a year.
- A programme of borrowing by the fund on the private capital markets if official sources of funds should dry up.
- A substantial increase in the resources available to the International Development Association, the World Bank's soft loan

# Fears grow of speed up in Argentina capital loss

By Peter Montagnon in Washington

ARGENTINA'S commercial bank creditors are growing increasingly concerned about a possible acceleration in the flight of capital following the forthcoming elections. This would make it much harder to assess the country's need for fresh bank credit next year.

Already they say the gap between the official rate of exchange at 12 pesos per dollar and the black market has widened with dollars selling unofficially at 25 pesos to the dollar. The greater the gap, the greater the temptation for Argentinian residents to acquire foreign exchange illegally, for example through the under-invoicing of exports.

Capital flights has played a major role in the Latin American debt crisis, aggravating the problems of affected countries. Bankers estimate that Argentina has this year enjoyed cash inflows of some $3bn in new loans from the IMF and commercial banks but may have lost between $1 and $2bn of this money through capital flight.

Now they say there is danger of this flight increasing if the election results are inconclusive or produce a weak government. The size of the potential swing in Argentina's foreign exchange accounts is hard to exaggerate, they say, and it could equally work in Argentina's favour if a strong government emerges.

"If confidence comes with the new government, things might go very well but if not a lot of money will leave the country," said one banker yesterday.

This uncertainty is likely to muddy the waters at a time when the new government will have to make an immediate start with negotiations to refinance an estimated $10bn in debt falling due in 1984 as well as to raise fresh loans.

Current expectations are that Argentina could expect a trade surplus of about $3bn next year but would need new money from banks to meet an expected interest bill of some $4.5bn.

Stewart Fleming describes the drift to U.S. economic isolationism

# Eagle's claws already bloodied

WHEN THE editors of America's 18,000 regional newspapers reach their offices this morning a package will await them, containing a message from an organisation called "Free the Eagle."

There is a good chance that many of the editors will glance through the 37-page booklet, for the message comes not from a nutty group of hyper-sensitive bird lovers, but from a political lobbying group in Washington which claims to be spending over $1m to hit its target—the International Monetary Fund.

"Free the Eagle" is one of several organisations which have been campaigning hard to block the U.S. Congress from authorising the Government to contribute the $8.4bn which is the U.S. share of the IMF's planned quota increase. The increase was described last week by one top monetary official as "the most important financial issue on planet earth today, bar none."

These pressures help to explain why the U.S. has been forced this weekend to adopt a policy of trying to keep the IMF and World Bank on as tight a financial rein as possible.

The impact of the anti-IMF lobby was underlined last week by Mr Donald Regan, the U.S. Treasury Secretary. Conceding that there was still a "slim chance" of Congress approving the IMF legislation in late November, Mr Regan inadvertently wrote a testimonial to the Bill's opponents in describing the efforts the Reagan Administration had had to exert to get the Bill through the House of Representatives in August by a mere six votes.

Criticised for not doing enough to support the legislation, Mr Regan replied testily: "That's a bum rap. I have put as much effort into this as any of my Cabinet colleagues have to get their Bills through. I lobbied 400 out of the 435 Congressmen on this issue before that vote. We have got our votes through when even the Speaker of the House said we could not."

When a questioner complained that President Reagan himself had not put in enough effort, a charge which carries more weight, Mr Regan defended his boss just as vigorously. "The President has put this (his support) in writing. He is making a speech next week to the IMF saying how much he is backing it . . . the poor guy has made about 50 telephone calls, busy as he is, to Congressmen to get this legislation through."

Part of the reason why the Reagan Administration is having to fight tooth and claw for the IMF money is the lobbying of groups like Free the Eagle. Although essentially Right of Centre, it has put together a coalition which includes Mr Ralph Nader, the consumer advocate on the Left and Representative Jack Kemp, an apostle of supply-side economics, on the Right, in support of the IMF issue.

The group claims to have sent 4½m letters to mobilise support. That there is plenty of support to be mobilised is no longer in doubt. Mr Regan concedes that there is a growing mood of "economic isolationism" in the U.S. reflected in growing protectionist sentiment and lack of concern about the performance of economies other than America's.

He puts it down to the scars emanating from the recession, and especially to high unemployment. But the anti-IMF feeling has other roots as well. Americans historically dislike banks and have not been impressed by the sight of their surging profits and dividends when the banks are perceived to be seeking taxpayers' money to help clean up an international debt mess to which they have contributed.

On the right, there are many who question not only whether an IMF "bailout" will solve the problem or make it worse, but also whether the U.S. should be supporting multilateral aid institutions. The charge that the IMF is funding the country's Communist enemies strikes a deep chord across the country.

This has caused President Reagan no end of trouble in his efforts to push for Congressional support for the IMF. About 20 Democrats in the House of Representatives, who backed the Administration in the narrow House vote in August, promptly found themselves stabbed in the back by the Republican electoral machine, which wrote to their constituents saying they "voted to support Communism." They are now virtually demanding a Presidential apology as the price of further support.

The President's feet are also being held to the fire by Democratic Party strategists who feel that they can now force the Administration to drop its opposition to a $15bn public housing Bill as the price of their support for the IMF funding, a bitter pill to swallow for a President who has been trying to hold the line on social spending.

If it is to succeed, the timing of an Administration counter-attack will be crucial.

Washington is waiting to see just how hard the President fights back if the crucial vote comes in November. Many are predicting that unless he stretches every political sinew, victory on the IMF Bill could still elude him.

# U.S. wants cut in access level

BY MAX WILKINSON

A SHARP difference emerged in Washington this weekend between the U.S. and other developed nations about future policy for access of member countries to the International Monetary Fund's resources.

*Assuming that the planned* 45 per cent increase in the IMF's quota subscriptions goes ahead next year, the majority of countries would like a smaller rise in the cash ceiling for assistance which member countries could apply for.

The general consensus outside the U.S. is that access should be restricted to 120 per cent of the increased quota per year compared with the 150 per cent of the present quota. This would imply an increase in cash terms.

However, the U.S. has been insisting for some while that assistance in cash terms should be unchanged, and the access should therefore be reduced to 102 per cent a year of the larger quota.

However, in the run up to yesterday's meeting of the interim committee of the International Monetary Fund in Washington the U.S. Treasury *let it be known that it was now* taking a much tougher line calling for a sharp reduction in the amount of access.

This would taper from 102 per cent of quota in 1984 to only 55 per cent by 1987 with the maximum total access which a country could be given over three years coming down from 305 per cent in 1984 to only 187 per cent in 1987. This would, in effect, mean a halving of the assistance which many debtor countries could expect.

This hardening of the U.S. attitude surprised many other countries and it was seen as a move to appease factions in the U.S. Congress which are still campaigning against any quota increase for next year and which have so far held up U.S. ratification of an increase.

However, at yesterday's interim committee meeting Mr Donald Regan, the U.S. Treasury Secretary confined his comments to the question of access to the IMF's resources in 1984. Thereafter, he said, in a remarkably tough speech, the position would have to be reviewed year by year.

The other major countries appear to have moved somewhat towards the U.S. position and are now talking about an access limit of 120 per cent in the first year with a limit of 300 per cent for three-year loans and 400 per cent for four-year loans.

Access to the Fund's resources was enlarged in 1981 to help the Third World adjust to the disruptive effects of the oil crisis and world recession.

# IDA donors to seek compromise on contributions

By Peter Montagnon

DONOR GOVERNMENTS to the International Development Association (IDA) are to meet in Paris on November 21 to seek a compromise on the level of their contributions for the three-year period beginning next July, Mr Andre de Lattre, the World Bank's special representative for IDA negotiations, told a news conference.

At a meeting here over the weekend the donors recognised that a compromise agreement must be reached this year despite a continued reluctance of the U.S. to increase the size of IDA, the World Bank's affiliate which channels concessional loans to the world's poorest countries.

The U.S. reiterated this week that it is unwilling to commit more than $750m a year to IDA.

# WORLD TRADE NEWS

## Compensation for Indonesia contract sought

**By Our World Trade Staff**

BALFOUR BEATTY of the UK, and consortium partners Asea and Skanska of Sweden are understood to be seeking $150m in compensation from the Indonesian Government for rescheduling construction of a hydroelectric power station in West Java.

Published reports in Jakarta, say the British and Swedish contractors are seeking the compensation to cover expenditures incurred for bringing in heavy equipment, building roads and cancelling procurement contracts for turbines and related machinery.

Balfour Beatty officials in the UK yesterday declined to comment on the reports but confirmed that the Mrica project had been "in abeyance" for some months.

The total project is worth $350m, but Balfour Beatty's share, which calls for the provision of civil engineering work, is worth around $120m.

## French set up U.S. agri-fund

**By David Marsh in Paris**

CREDIT AGRICOLE, the giant French co-operative farmers' bank, has set up a biotechnology investment fund in the U.S. to direct risk capital into high-technology agricultural ventures.

The fund, called Agritech, with capital of $10m, has been set up by a specialist investment subsidiary of Credit Agricole along with Elf Aquitaine, the French state-controlled oil group which has important biotechnology activities.

Other leading French companies which are putting up cash for the fund are cement group Lafarge Coppée, edible oils concern Lesieur, real estate company La Henin and sugar firm Compagnie Commercial Sucres et Denres.

Agritech will aim not only to realise profits on biotechnology projects in which it takes stakes, but also to bring about transfers of technology to benefit its participant companies.

## China launches container ship service to N. Europe

**BY OUR SHIPPING CORRESPONDENT**

CHINA has begun a full-scale container shipping service to northern Europe, which is expected to result in a growing volume of seaborne trade between the two regions.

China Ocean Shipping Company (Cosco) is putting 10 ships on the new container route, six built in West Germany. The first, the German-built Tang He, arrived this week at Tilbury Docks, part of the Port of London.

London currently handles over 60 per cent of Chinese imports into the UK. Previously, these have been shipped in conventional loose form or on ships carrying a mixture of containers and other cargo.

The new service fills a gap in China's container route network, which already covers Australia, Japan, the U.S. and parts of Africa. Containers will be carried between Xingang and Shanghai in China, Hong Kong and Singapore in the Far East and London, Antwerp, Rotterdam, and Hamburg in Europe.

The Cosco container ships will make two calls a month in London, with voyage time between China and Europe about 30 days. The Tang He has a capacity of 1,152 container units; it unloaded 280 units in London and took on 66.

● A new container terminal is to be set up at Lowestoft by Associated British Ports and Belfast-based Coastal Container Holdings at a cost of over £2m. The port, run by ABP, is the most easterly in the UK.

AP-DJ reports from Seoul: Daewoo Shipbuilding says it has received an order from the Shipping Corporation of India for eight 45,000-dwt bulk carriers valued at $140m. The ships will be delivered from November, 1985, through mid-1986 under a contract signed in Bombay last week. The contract also carries an option for four more bulk carriers of the same class.

**SHIPPING REPORT**

## Increase for Gulf tanker rates

**BY ANDREW FISHER, SHIPPING CORRESPONDENT**

TANKER BUSINESS took on a new lease of life last week, with higher rates from the Gulf possibly reflecting unease over the Middle Eastern political situation.

Charterers could now be seeking to lift as much oil as possible from the Gulf, in case supplies are disrupted, E. A. Gibson said.

In other markets, though, such as Indonesia and West Africa, enquiry has been small. But it has been the Mediterranean and Caribbean markets which have suffered most, with the build-up of surplus tonnage lowering rates.

Demand from the Gulf, said Gibson, "has been extremely active, with rates spiralling upwards." Rates of Worldscale 35, several points above those of recent weeks, have been obtained for VLCCs (very large crude carriers) to the West.

Yet much of the information about Gulf fixing is hazy, with owners and charterers keeping details quiet. Commented Gibson ruefully in its weekly report: "Sherlock Holmes would stand a better chance of unravelling the mystery of the missing rates than most tanker brokers."

Dry cargo markets were quiet, the Russians fairly inactive after the previous week's time charter business. Grain rates from the U.S. Gulf were weaker.

The second-hand market picked up, especially for bulk carriers, with Galbraith Wrightson reporting the sale of the Norwegian vessel Jaraconda of 61,600 tons deadweight, built 1981, to Swiss-based interests for $12m. This is some way down on the $17m the same buyers paid for a sister ship, the Jasaka, in May 1982.

## World Economic Indicators

UNEMPLOYMENT

| | | Aug. '83 | July '83 | June '83 | Aug. '82 |
|---|---|---|---|---|---|
| UK | 000s | 3,009.9 | 2,020.6 | 2,983.9 | 2,898.8 |
| | % | 12.6 | 12.7 | 12.5 | 12.1 |
| U.S. | 000s | 10,699.0 | 10,590.0 | 11,146.0 | 10,931.0 |
| | % | 9.5 | 9.5 | 10.0 | 9.9 |
| | | July '83 | June '83 | May '83 | July '82 |
| W. Germany | 000s | 2,202.2 | 2,127.1 | 2,148.7 | 1,757.4 |
| | % | 8.2 | 7.9 | 8.0 | 6.5 |
| France | 000s | 1,893.3 | 1,877.7 | 1,913.0 | 1,898.6 |
| | % | 8.3 | 8.2 | 8.4 | 8.3 |
| Italy | 000s | 2,616.5 | 2,631.7 | 2,677.7 | 2,297.3 |
| | % | 11.6 | 11.6 | 11.8 | 10.2 |
| Netherlands | 000s | 810.4 | 792.7 | 753.1 | 665.1 |
| | % | 14.5 | 14.2 | 13.5 | 11.9 |
| Belgium | 000s | 605.2 | 545.1 | 545.5 | 553.2 |
| | % | 14.8 | 13.4 | 13.4 | 13.6 |
| Japan | 000s | 1,463.0 | 1,522.0 | 1,580.0 | 1,350.0 |
| | % | 2.5 | 2.6 | 2.7 | 2.4 |

*Source (except U.S., UK, Japan): Eurostat*



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# STATISTICAL TRENDS: The Caribbean

## Fall in sugar prices may aggravate debt

CARIBBEAN countries will be hoping for a strong U.S. recovery in 1983 and 1984 as 75 per cent of their exports will be going that way. The effects of the recession have been felt not only through reduced volume of trade but, more importantly, through falling prices.

Sugar and bauxite, the bases of many of the economies in the Caribbean, have been suffering from low prices. Tourism, the third pillar of regional economies, has been faring only moderately in recent years with performances varying between countries. However, 1982 does seem to have brought some revival in tourist receipts. With continuing trade deficits, the Caribbean may face increasing debt problems like those troubling Cuba and Jamaica.

The fall in sugar prices has been particularly painful in the Dominican Republic and this has been compounded in other countries by a continuing slide in production. Both Jamaica and Trinidad and Tobago have been reassessing the value of maintaining sugar production. In fact, these countries, together with Haiti, have turned from net exporters to net importers of sugar since 1975. However, such are the margins which can determine the fate of an island economy that even a moderate increase in prices would be significant.

The effects of reduced demand for aluminium are most significant in Jamacia. Export earnings from bauxite/alumina reached U.S.$669m in the fiscal year 1981-82, 15 per cent lower than the previous year, and earnings were expected to decline even further to around U.S.$600m in 1982/83.

Puerto Rico, through its "commonwealth" relationship, is influenced more than any other island by the U.S. economy. GDP growth, at 8 per cent in 1970, fell to 1 per cent in 1981 and declined by 4.2 per cent in 1982. This was mostly due to the decline in the manufacturing sector, the mainstay of the island's economy. With rising unemployment (22.4 per cent in April) and a $1.8bn trade deficit in 1982, the economy is being maintained through injections of federal funds which last year totalled $4bn, and heavy borrowing which has pushed the public debt to $8bn. Bankruptcies have grown at an alarming rate, a total of 2,054 companies filed petitions last year, an increase of 88 per cent over 1981.

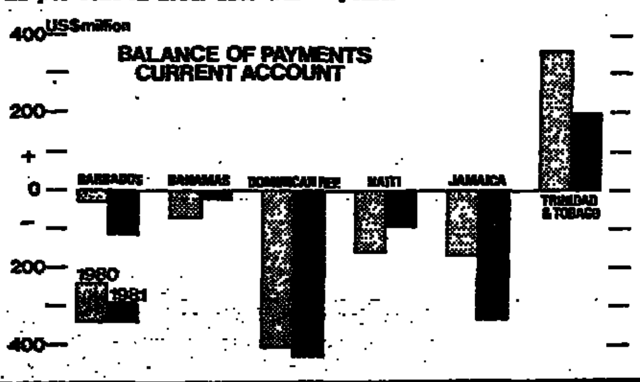
In the Bahamas, tourism is by far the most important industry accounting for 70 per cent of the GDP, and a similar proportion of employment. A promotional campaign in response to falling numbers was expected to produce record numbers of visitors in the 1982-83 season. Much of the remaining revenue is earned by the banking sector.

Oil revenues enable Trinidad and Tobago to be the only major Caribbean economy with a balance of payment surplus. However, with reserves sufficient for only another 10 years at present production levels, the government is developing its gas resources.

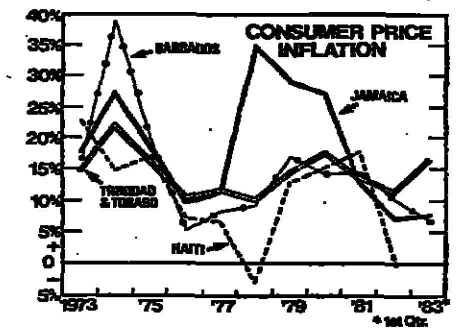
In Cuba the bad winter's effect on crops has left the country even more dependent on its links with the USSR and on being able successfully to negotiate $3.2bn foreign debt.

In the short term, the brightest hope for the area is the Caribbean Basin Initiative. This provides for some of the much needed U.S. investment which Caribbean countries have been trying to attract for some years.

*Commentary by Our Economics Staff: data analysis by Financial Times Statistics Unit; charts and graphs by Financial Times Charts Department*




## General




**STRUCTURE OF MERCHANDISE EXPORTS %**

| | Fuels Minerals & Metals 1960 | 1979 | Other Primary Commodities 1960 | 1979 | Manufacturers 1960 | 1979 |
|---|---|---|---|---|---|---|
| Jamaica | 50 | 31 | 45 | 17 | 5 | 52 |
| Dominican Rep. | 6 | 3 | 92 | 71 | 2 | 26 |
| Cuba | 2 | 5 | 93 | 94 | 5 | 1 |
| Trinidad | 82 | 91 | 14 | 3 | 4 | 6 |

*Source: World Bank*

**VALUE ADDED BY MANUFACTURING 1980 U.S.$m**

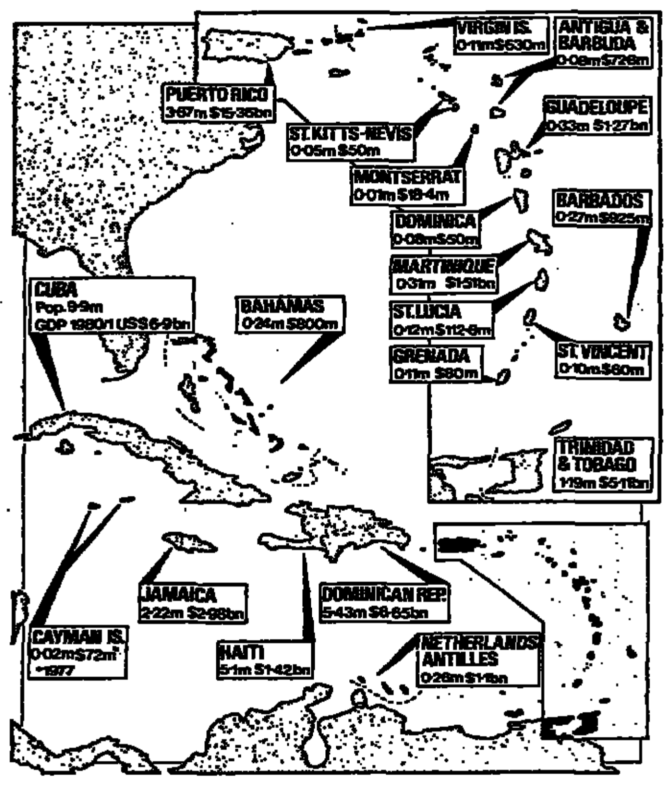
| | 1960 | 1970 | 1980 | 1981 |
|---|---|---|---|---|
| Barbados | 24.0 | 45.8 | 80.8 | 73.1 |
| Dominican Rep. | 265.4 | 541.9 | 1037.6 | 1065.3 |
| Haiti | 110.3 | 117.8 | 229.3 | 224.3 |
| Jamaica | 334.2 | 592.4 | 468.8 | 494.0 |
| Trinidad | 294.7 | 163.9 | 307.4 | 308.7 |

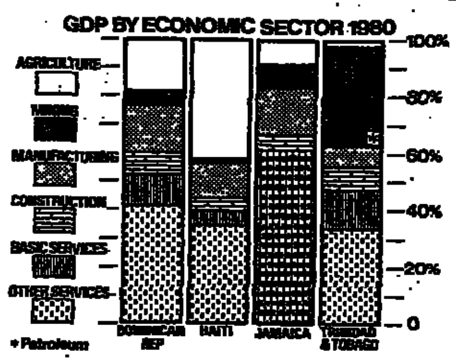
*Source: IDB*

**TOURISM RECEIPTS U.S.$m**

| | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|
| Bahamas | 490 | 552 | 650 | 639 |
| Puerto Rico | 547 | 570 | 596 | 586 |
| Netherlands Antilles | 271 | 317 | 384 | 513 |
| Barbados | 168 | 187 | 252 | 287 |
| Jamaica | 148 | 195 | 242 | 284 |
| Dominican Rep. | 109 | 131 | 168 | 223 |
| Trinidad | 92 | 124 | 151 | 163 |

*Source: W.T.O.*




**PRIVATE DIRECT INVESTMENT U.S.$m**

| | Bahamas | Dominican Republic | Jamaica | Trinidad |
|---|---|---|---|---|
| 1975 | 48.6 | 63.9 | −1.8 | 202.9 |
| 1976 | 12.2 | 59.9 | −0.6 | 107.1 |
| 1977 | 31.1 | 45.9 | −7.0 | 140.1 |
| 1978 | −0.8 | 39.6 | −26.7 | 129.0 |
| 1979 | 9.7 | −13.4 | −26.4 | 93.8 |
| 1980 | 3.9 | 62.7 | −11.1 | 216.5 |
| 1981 | 34.4 | n.a. | −11.6 | 210.6 |

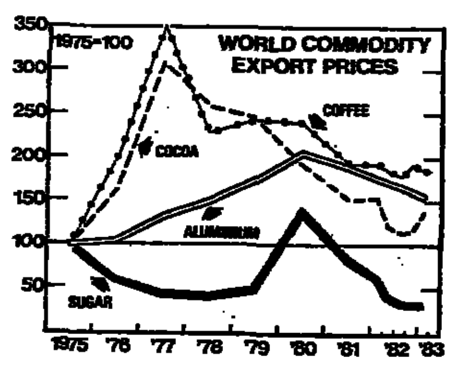
*Source: IDB*

**BAUXITE PRODUCTION 000' TONS**

| | Jamaica | Dominican Republic | Haiti |
|---|---|---|---|
| 1973 | 13600 | 1145 | 743 |
| 1974 | 15328 | 1196 | 659 |
| 1975 | 11570 | 772 | 522 |
| 1976 | 10296 | 621 | 660 |
| 1977 | 11434 | 576 | 685 |
| 1978 | 11736 | 568 | 639 |
| 1979 | 11505 | 524 | 560 |
| 1980 | 12064 | 510 | 461 |
| 1981 | 11606 | 405 | 539 |
| 1982 | 8381 | 152* | 337 |

* Jan.-Nov.

*Source: World Metal Statistics*




**EXTERNAL PUBLIC DEBT (U.S.$ millions)**

| | 1972 | 1981 | 1981 As a % of Exports |
|---|---|---|---|
| Bahamas | 41.3 | 80.2 | 6.9 |
| Barbados | 7.8 | 145.3 | 25.8 |
| Dominican Republic | 277.9 | 1260.7 | 82.7 |
| Haiti | 43.4 | 294.8 | 79.3 |
| Jamaica | 212.7 | 1433.8 | 91.8 |
| Trinidad & Tobago | 122.1 | 658.9 | 17.8* |
| Cuba | n.a. | 3200† | |
| Puerto Rico | n.a. | 7549 | 94.2 |

* 1980
† 1982 Estimate

*Source: World Bank and others*

## Cayman Islands

**BANKING**

Fiscal Year Ended 30/6/82

| | Liabilities U.S.$m | Offshore Licences |
|---|---|---|
| 1976 | 22.0 | 181 |
| 1977 | 31.5 | 208 |
| 1978 | 49.0 | 232 |
| 1979 | 61.8 | 260 |
| 1980 | 84.5 | 293 |
| 1981 | 109.6 | 362 |

*Source: Cayman Islands Statistical Abstract*

## Puerto Rico

**GDP & EMPLOYMENT BY SECTOR**

Fiscal Year Ended 30/6/82

| | GDP U.S.$m | Employment 000's |
|---|---|---|
| Agriculture | 335 | 38 |
| Manufacturing | 5892 | 148 |
| Construction | 362 | 39 |
| Transportation & Utilities | 1569 | 53 |
| Wholesale & Retail Trade | 2464 | 154 |
| Finance, Insurance & Property | 1851 | 26 |
| Government | 1935 | 188 |
| Services | 1597 | 145 |
| Total | 16157 | 791 |

*Source: Puerto Rico Business Review*

**AVERAGE HOURLY EARNINGS IN INSTRUMENTS INDUSTRY U.S.$**

| Oct. | Puerto Rico | U.S. Mainland |
|---|---|---|
| 1976 | 3.05 | 4.95 |
| 1977 | 3.31 | 5.31 |
| 1978 | 3.56 | 5.79 |
| 1979 | 3.81 | 6.32 |
| 1980 | 4.13 | 6.94 |
| 1981 | 4.51 | 7.61 |
| 1982* | 4.74 | 7.95 |

* Estimated.

*Source: Puerto Rico Business Review*

## Cuba

**MATERIAL PRODUCT BY ECONOMIC SECTORS**

| | Millions of Constant Pesos 1970 | 1980 | % Breakdown 1970 | 1980 |
|---|---|---|---|---|
| Agriculture | 1183 | 1969 | 20.9 | 20.3 |
| of which:— | | | | |
| Sugar cane | 559 | 689 | 9.9 | 7.1 |
| Stock raising | 345 | 773 | 6.1 | 8.0 |
| Others | 279 | 507 | 4.9 | 5.2 |
| Industry | 4047 | 6210 | 71.4 | 63.9 |
| of which:— | | | | |
| Electrical energy | 122 | 268 | 2.2 | 2.7 |
| Mining | 70 | 86 | 1.2 | 0.9 |
| Manufacturing | 3855 | 5856 | 68.0 | 60.3 |
| Construction | 436 | 1535 | 7.7 | 15.8 |
| Total material Product | 5666 | 9714 | 100 | 100 |

*Source: UN*

**SUGAR PRODUCTION, EXPORTS & EXPORT PRICES**

| | 000' Tons Production | Exports | USc/lb Price paid by USSR | International Agreement Price |
|---|---|---|---|---|
| 1970 | 7559 | 6906 | 6.11 | 3.68 |
| 1971 | 5950 | 5511 | 6.11 | 4.50 |
| 1972 | 4988 | 4140 | 6.11 | 7.27 |
| 1973 | 5383 | 4797 | 12.02 | 9.45 |
| 1974 | 5926 | 5491 | 19.54 | 29.66 |
| 1975 | 6427 | 5744 | 36.40 | 20.37 |
| 1976 | 6151 | 5764 | 30.95 | 11.51 |
| 1977 | 6953 | 6238 | 35.73 | 8.10 |
| 1978 | 7661 | 7231 | 40.78 | 7.82 |
| 1979 | 78.00 | 7269 | 44.00 | 9.65 |
| 1980 | 6805 | 6191 | — | 28.66 |
| 1981 | 7925 | 7071 | | |

*Source: UN*

## Trinidad & Tobago

**OIL AND GAS PRODUCTION**

| | Oil Mn Tonnes | Gas Mn Tonnes Oil Equivalent |
|---|---|---|
| 1973 | 8.6 | 1.6 |
| 1974 | 9.4 | 1.7 |
| 1975 | 11.2 | 1.6 |
| 1976 | 10.6 | 2.0 |
| 1977 | 11.5 | 1.5 |
| 1978 | 11.6 | 1.9 |
| 1979 | 10.8 | 2.9 |
| 1980 | 10.6 | 2.2 |
| 1981 | 12.0 | 2.2 |
| 1982 | 9.1 | |

*Sources: Various*

# WORLD TRADE NEWS

## Siberian gas deliveries 'to start from January'

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT, IN LONDON

THE SOVIET UNION will be ready to start delivering Siberian gas to Western Europe next January, even though it has not yet completed any of the pumping stations along the 2,700 miles of pipe already laid from the Urengoi field to the Soviet-Czech border.

This was stated by Mr Boris Shcherbina, the Soviet minister for energy construction, who told a Moscow press conference at the end of last week that 17 of the 40 pumping stations planned for the trans-Siberian pipeline would be built by the end of this year, and the rest finished in 1984.

The Soviet minister declared the Reagan Administration's attempted embargo on Western technology for the Siberian pipeline a "failure," since pipelaying had been finished six months early. But that embargo was directed towards U.S.-made or designed turbines for the compressors in the pumping stations, and here the Soviet Union has evidently hit delays. Mr Shcherbina said one compressor station, built by Nuovo Pignone of Italy, was nearly operational, as were two others with Soviet-built 16-megawatt turbines.

Mr Shcherbina's confidence about deliveries next year to Europe seemed to rest, in part, on the fact that compressor stations on existing parallel pipelines are being used as back-up to pump the gas from Siberia to storage points further west. The minister claimed that the Soviet Union would have the capacity to deliver up to 9bn cubic metres next year. It is initially obliged to deliver only 5bn cubic metres to Western Europe in 1984.

Mr Shcherbina claimed the project would cost Moscow $18bn, though how much of that is in hard currency was unclear. The Reagan Administration objected that much of the West European equipment for the pipeline was sold on credit, with government interest rate subsidies worth as much as $500m in 1981 when interest rates were at their peak. Washington also complained that the gas sales would put several billions of dollars worth of hard currency into Soviet pockets, though the current softness of the gas market has scaled back West European purchases.

The Soviet Union intends to build a second trans-Siberian pipeline within its 1986-90 plan, Mr Shcherbina said. West European governments have, however, agreed in the International Energy Agency this year not to contract for any further big amounts of imported gas that might lay them open to political blackmail or leverage from a monopoly buyer.

Mr Shcherbina denied Moscow would be able to hold European countries to ransom. He claimed the gas due to start flowing east in January would "only represent 4.5 per cent of these countries energy needs. Anyway, we always fulfil our contracts."

● Romania has increased its hard currency trade surplus to $1bn in the first half of this year, compared to $1.8bn in the whole of last year, according to Mr Ion Stanciu, a deputy trade minister who was in London for talks with UK ministers

Mr Stanciu said the improved trade performance, due to a cutback in oil imports and an export drive, had made it possible for Romania to keep up to date on all its payments this year to Western banks, governments and companies.

## Philippines may tap aquifers for water exports to Gulf

BY EMILIA TAGAZA IN MANILA

IN the Middle East, mention of the Philippines instantly evokes the image of the hardy Filipino worker, the country's major export to that region. But now this South East Asian archipelago is attempting to establish its name through yet another novel export – water.

A contract for the supply of Philippine water to Abu Dhabi is in the offing between a local company and a U.S. consultant which helps Abu Dhabi scout for water sources. Government officials say this particular contract will mark the beginning of a major route for the international oil-and-water trade. "Water export could become the flip side of the oil trade between Asia and the Middle East," an official said.

The key factor in the water export programme is Japan, the biggest buyer of Arab oil in the Asia-Pacific region. The project will use tankers that carry oil from the Middle East to Japan and which go back empty. Many of these tankers stop in the Philippines for drydocking.

During negotiations with Abu Dhabi, the Philippines is said to have offered a competitive price. It could afford to do so because the tankers to be used in transporting water are the very same, very large crude carriers that transport oil to the Philippines and Japan. Instead of steaming back to the Middle East empty, they will be filled with water from a huge underwater aquifer in the central Philippines. The contracting parties are looking at an initial supply of 50m gallons of irrigation water a day.

Officials, however, would not say what the contract price is. Similarly, the Arabs are highly secretive of the price they pay for fresh water. Estimates vary wildly from $6 to $60 a ton. Considering that the transport cost to the Philippines will be low, the contract price could be fairly low as well.

The Arabs have looked into other unconventional sources of water, including towing icebergs from the Antarctic into the Gulf. But salt water contamination would then require desalination, a costly process. The experience of water-short Hong Kong, which in 1977 put on stream a desalination plant – only to close it down a few months later because of the high operating cost – has illustrated how uneconomical the process can be.

The traditional sources of water for the Middle East include France and the Dominican Republic. But the Philippines – although more distant – has built-in advantages in exporting water to the region. It has ample water resources and numerous bay areas suitable for deep ports that can dock huge tankers. More importantly, the country is on the busy tanker route between the Middle East and Japan.

The water export programme has not been entirely free of criticism, especially when certain parts of the country are only now recovering from a long drought. Certain groups argue that the Government should first ship water from lake sources to the drought-stricken provinces.

The Government stresses the cost-benefit aspect of the programme. One official said that the extent of the drought in the country has not warranted the shipment of water from one region to another since the mobilisation cost would offset whatever benefits can be derived from such shipment.

Water could eventually replace manpower supply as the Philippines' major export to the Middle East. As the flow of petrodollars from the labour export tap slows down because of cuts in the Middle East states' infrastructure spending, the Philippines is now anxious to open a new valve where water will flow and become a major source of precious foreign exchange.



# UK NEWS

## Birmingham aims to attract £35m Lucas expansion

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

A PACKAGE of incentives is being prepared by Birmingham City Council to persuade Lucas Industries to divert a £35m investment programme that might cost the city 3,000 jobs.

Lucas, however, seems likely to press ahead with plans to expand in South Wales with its recently created high-technology company LEES: Lucas Electrical Electronics and Systems. The South Wales factories qualify for extra assistance as they are in a development area.

The issue highlights concern in the West Midlands about the continued loss of companies and jobs to the assisted areas.

Mr Neville Bosworth, leader of the Conservative-controlled council, has written privately to Mrs Margaret Thatcher, the Prime Minister, arguing that Birmingham is suffering seriously under present regional policy.

The Lucas plans for growth in South Wales result from the decision to pool resources with Smiths Industries to attack the £1bn-a-year, rapidly expanding automotive electronics market in Europe.

LEES, which already has a turnover of £160m a year, is owned 80.1 per cent by Lucas and 19.9 per cent by Smiths.

The Department of Industry, which supported the link-up between the two companies, has given backing for a planned £35m investment programme during the next five years. State support will be provided through the Industry Act and the new technology scheme.

Lucas has told Birmingham City Council that the LEES investment does not indicate any lack of commitment to the city. It is inevitable, however, that as new high-technology products come on stream from LEES, components, such as car horns, currently made in Birmingham will be phased out.

Quite separately from the LEES issue, senior shop stewards in the Lucas Electrical motor components company, are concerned that more redundancies are imminent.

A key factor in the Lucas plans is the progress of talks in France about the future of Bucellier, its loss-making 50 per cent-owned French associate.

## Software battle looms

BY RAYMOND SNODDY

THE National Physical Laboratory (NPL) and the British Technology Group (BTG) are planning to help companies fight back against the growing problem of computer software piracy.

They are trying to form a consortium which will include the leading UK software producers, computer companies and major industrial companies which are large users of computer software.

The idea for the consortium came from Dr Brian Wichmann, of the NPL's information technology and computing division. He believes that the introduction of sophisticated computer systems for as little as £5,000 have made expensive business software increasingly vulnerable to copying and piracy.

Companies are being asked for a contribution of £5,000 towards setting up the consortium in the first year. Contributions from about 10 companies will be matched by the NCL and the BTG.

## Candu call rejected

FINANCIAL TIMES REPORTER

A CALL for renewed investigations into the suitability of the Canadian Candu heavy-water nuclear reactor for Britain has been rejected by the Central Electricity Generating Board (CEGB).

The call came from Lord Bowden, the physicist, during the re-opening week of the Sizewell B inquiry.

Lord Bowden, a minister in Harold Wilson's first Government, has been a strong advocate of the Candu system for more than 10 years and would like to see it replace the proposed pressurised water reactor (PWR). The Candu reactors have an enviable performance record, well ahead of the PWR, even though recent leaks of radio-active heavy water have tended to tarnish the Canadians' reputation.

Lord Bowden's renewed call for further examination of Candu was quickly rejected by the CEGB chairman, Sir Walter Marshall, who said more spending on research into the reactor could not be justified.

Sir Walter said Candu had been fully examined and the CEGB maintained that its judgment in selecting the U.S. PWR for Britain was correct.

CONTRACTS

## £6m work for Miller Buckley Group

The **MILLER BUCKLEY GROUP** has been awarded contracts with a total value of over £6m. The orders include contracts worth £3m awarded to Miller Buckley Civil Engineering for relief sewers and improvements in London for Thames Water Authority and land reclamation at Wigan for Greater Manchester Council. Easams, an autonomous limited company within the General Electric Company, has awarded a £1.2m contract to Miller Buckley Construction for erection of a five-storey research and development office building with external car parking at Lyon Way, Camberley, due for completion by Easter 1984. Friends Provident Life Office has awarded a refurbishment contract worth £1m to Miller Buckley Construction, for alterations and refurbishment to an existing office block at West Street, Epsom. A new steel frame, slated mansard roof and new services will also be installed.

*

Docklands-based builders' merchants **R. PASSMORE**, part of the Rooff Group, is constructing a 34,000 sq ft £1m headquarters and manufacturing plant on a 1.6-acre site at Millwall Dock. The company became part of the Rooff Group about seven years ago and work on the new building is being carried out by a sister firm, J. and R. Rooff, Plaistow. In addition to manufacturing plant, the development will house building supplies, sales and office staff. It is due for completion next spring.

*

Contracts totalling over £2.25m have been awarded to the **WIGGINS GROUP** to build houses and flats in Glamorgan. The large order, worth £1.9m, is for 75 houses and 30 flats to be built by Wiggins' subsidiary, Gee Walker and Slater, at Trowbridge Mawr, St. Mellons, Cardiff. The contract, awarded by Cardiff City Council, began in July and will last about 16 months. A second contract for £347,000, awarded by Rhymney Valley District Council, is for 16 bungalows at Aeron Place, Gilfach, Bargoed, in mid-Glamorgan.

*

Two contracts, together worth £1.1m, have been awarded to **TAYLOR WOODROW CONSTRUCTION (SCOTLAND)**. The larger, valued at £765,000, is for a computer centre within an existing building at St. James Street, Paisley, for the Argyll and Clyde Health Board. The work will also include associated office and storage buildings, together with all finishes, services and car parking facilities. The year-long contract is due for completion in September 1984. The other contract, worth £423,000, is from Strathclyde Regional Council for construction of a 800 sq metre social works building at Gartcraig Social Work Office, Ruchazie Street, Glasgow, for completion in November 1984.

*

Work has started on construction of **McCARTHY & STONE'S** Homeborough House, a £1m warden-assisted sheltered homes scheme in Jones Lane in Hythe. The project is due for completion in August 1984. Work has also started on McCarthy and Stone's Homebeech House (Phase II), a £1.75m warden-assisted sheltered homes scheme in Mount Hermon Road in Woking. This is the third development to be built by McCarthy and Stone at Mount Hermon Road. Phase II is due for completion in August, 1984 and the flats are due to be released at the end of this year.

*

Awards worth over £5.8m have been received by the **TRY CONSTRUCTION GROUP.** They include a wing incorporating wards and operating theatres to the Nuffield Hospital, Plymouth for Nuffield Nursing Homes Trust, valued at £820,000. At Heathrow Airport, London, the Group is to construct for Lufthansa extensions to the cargo terminal for £1.15m. Also at Heathrow, but for the British Airports Authority, the Group has secured a measured term contract, on a three-year basis, for the Northside Area. This will exceed £3m and follows from a similar but larger contract for the Central Area awarded last year. Two refurbishment contracts are to commence shortly: at High Wycombe the company will undertake the rehabilitation of process orientated laboratories for G. D. Searle (£500,000) and at Aylesbury for The Royal Exchange Insurance Co. the renovation of an office block (£220,000).

HOW BANK OF ENGLAND VIEWS EVOLUTION OF THE LONDON STOCK EXCHANGE

# Market efficiency is the test

BY BARRY RILEY, FINANCIAL EDITOR

THERE WAS no disguising the Bank of England's relief when the Government finally agreed to accept its advice to settle the argument with the London Stock Exchange outside the Restrictive Practices Court – a decision taken in principle some time before the last election.

It is not at all the Bank's style to try to settle delicate questions of the functioning of markets under the full glare of publicity – such as would have accompanied the court case. Now, it is embarked upon a much more traditional process of consultation, and probably feels, once again, in control.

The Bank's greater involvement in stock exchange affairs, by setting up formal monitoring procedures, forms part of a general strengthening of its role in the City of London's non-banking markets.

Elsewhere, for instance, it has intervened in the affairs of Lloyd's and is also looking more closely at the commodities markets.

At the stock exchange, the Bank has two reasons for following events closely. It has a general responsibility for maintaining active and efficient capital markets, and in this role it is keen to see the stock exchange respond quickly enough to a changing environment.

It is carefully monitoring British securities trading outside the official London market, and although so far convinced that such dealing looms much larger in rumour than in fact, it knows that U.S. securities houses are rapidly developing their international activities. The bank is keen to see British stock market firms in a position to respond.

At the same time, however, the Bank has a direct responsibility managing the government's funding programme. This gives it a particularly close relationship with the government securities (gilt-edged) market, although the current BP offer for sale, and next year's much larger British Telecom sale to the private sector, show it is also an important primary participant in the equity market.

These two different roles inevitably raise the question of whether there may be a tension between its separate objectives – whether the gilt-edged managers would like to preserve the existing, well-oiled mechanisms while the supervisors are more concerned with the need for the market to evolve.

The Bank however, denies the existence of any such conflict. The view is that it is the substance, and not the structure, of the market that is the fundamental objective. That means the Bank would accept a quite different market framework if it were convinced it could function efficiently.

Officials of the Bank set two basic criteria for the stock market. It must maintain a high level of liquidity – this being particularly relevant to dealings in gilt-edged securities. And it must be centralised, because a fragmented market can be hard to supervise – potentially leading to a growth in unacceptable activities.

The Bank would not support any system which led to fragmentation of the UK securities market. That is why, some years ago, it opposed attempts by the merchant banks' computerised dealing system Ariel to establish trading in gilt-edged. It said Ariel would weaken the central market by creaming off the easy two-way business while leaving the jobbers – the stock exchange's specialist market-makers – to struggle with the more difficult bargains.

The Bank does not rule out the possibility that it might widen the number of gilt-edged market-makers with which it deals. At present these are just a handful of jobbing firms, of which two – Wedd Durlacher and Akroyd and Smithers – account for the bulk of the business.

It insists it would be indifferent to the ownership of the market-maker. But it would need to be satisfied of a firm commitment to make a two-way market in all conditions.

The Bank may well suspect any trend towards dual capacity firms engaged both in broking and market-making in the gilt-edged market on the grounds that it might lead to the appearance of casual market makers. But officially, the view apears to be that it is up to stock exchange members to decide on matters such as the timing for dismantling the fixed commission structure. The Bank will then adjust to the consequences.

In carrying out its monitoring role, the Bank's scope is somewhat circumscribed by the need to collaaborate with the Trade Department. In practice, at least at this stage, the Department is likely to leave analysing market systems to the Bank, but it is conscious of its responsibilities for investor protection. So, whatever the Bank might feel about the eventual desirability – or perhaps inevitability – of allowing dual capacity, it would have to convince the Trade Department that investors, interests would still be satisfactorily protected.

In the near term, the Bank's most specific role is in choosing lay members of the Stock Exchange Council, some of whom it is hoped will be in place by the end of this year.

This in itself will be no mean task. The aim is to avoid retired generals and civil servants, and look for active senior members of user groups. But allowing for subcommittee work, the time commitment might well be something like a day a week – a tall order for a busy fund manager

# Industry's prospects for 1984 worry CBI

By Robin Pauley

BRITISH INDUSTRY'S recovery is continuing but there is mounting concern at the Confederation of British Industry (CBI) about the prospects for 1984.

Its monthly survey of more than 1,800 companies published today shows that for the eighth successive month output is still expected to rise rather than fall, indicating that the recovery is still under way.

Sir Terence Beckett, director general of the CBI, however, said "Our forecasts point to the possibility of a slow-down in growth in the course of next year. That is why we need an early cut in interest rates." He also emphasised that any recovery is doing so from an exceptionally low base.

The CBI anxiety, described as "healthy scepticism," coincides with even gloomier predictions from the National Institute of Economic and Social Research. It takes the same line as the CBI – rising unemployment, rising inflation, stagnant growth. After a rapid fall off in recovery after the first quarter – but with worse figures.

# State bus company chiefs want shares offered to workers

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

EXECUTIVES of the state-owned National Bus Company (NBC) are pressing the Government to push ahead swiftly with privatisation.

They are asking the Government to agree to sell about 60 per cent of the shares, of which 20 to 25 per cent would be offered to its 50,000 employees. This would raise an estimated £80m-£100m for the Government.

The scheme differs substantially from the Government's two earlier transport privatisation projects. The National Freight Consortium was the subject of a management buy-out, with the bank financing the loan to the employees. The sale of state-owned ports, meanwhile, was successfully managed by a flotation.

Mr Tom King, Transport Secretary, said recently that he hoped to make a statement shortly on bringing private capital into NBC.

The Government's privatisation agenda has always included NBC, but the original proposal was that the profitable Express coach and holiday operations should be hived off, leaving the local authority bus service operations with the state.

Officials in the Transport Department are still some way off deciding the best privatisation procedure for NBC.

Senior management of the company, several of whom came from the private sector bus industry, have lobbied against the hiving off of National Express and National Holidays on the grounds that the businesses are inseparable from the bus operations.

NBC executives, led by the chairman, Lord Shepherd, the former Labour peer, and Mr Robert Brooks, chief executive, recently commissioned the merchant bank Warburgs to study the acceptability of NBC shares to the City.

The report is understood to show that there would be a market, with the important proviso that this would depend on the Government's treatment of the large capital debt amounting to £160m in the company's balance sheets.

The nature of the guarantees to local passenger transport executives that loss-making bus services would be maintained, and agreements by local authorities to continue contributing financially to these services, would also be very relevant to the acceptability of the management's plans.

The Government's deregulation of Express coach services nearly three years ago has led to a big increase in this form of travel.

# Thatcher's Lebanon warning

By Ivor Owen in London

MRS Margaret Thatcher, the British Prime Minister, stressed Britain's determination to oppose any precipitate moves to withdraw the European element from the multinational peacekeeping force in the Lebanon, in a television interview broadcast in Washington last night.

She had consulted other ministers about fresh initiatives to show Britain's support for President Ronald Reagan's objectives in the Lebanon, before leaving London for Ottawa where she began her five-day visit to Canada and the U.S.

The British Government is giving priority to heading off suggestions that the growing U.S. military involvement provides added justification to demands that the European element in the peacekeeping force be withdrawn.

Whitehall hopes that before Mrs Thatcher meets President Reagan in the White House on Thursday, a decision will have been made on whether doubling or trebling the British contingent could be decisive in persuading France and Italy – the other European contributors not to set a date for withdrawal.

Mrs Thatcher is anxious to show President Reagan that Britain remains America's closest and most dependable ally in western Europe.

## APPOINTMENTS

**Mr J. R. C. Holbech** a director of THE DISTILLERS COMPANY, has been appointed chairman of the newly-formed group white spirits division. He has also been appointed chairman of Tanqueray, Gordon and Co. He will be succeeded as managing director of Tanqueray Gordon by **Mr R. G. Filby**. **Dr I. J. Rae** and **Mr P. F. Goodchild** have been appointed directors of Tanqueray Gordon.

★

**Mr Alan Gratton** has been appointed marketing director designate of HELLERMANN INSULOID, Wythenshawe. He joins from Waycom where he was marketing manager.

★

**Mr Derek Murray** has been promoted to head of local programmes ULSTER TELEVISION and will be responsible to the programme controller, **Mr Brian Waddell**, for all local productions. Mr Waddell's responsibilities are extended and in addition to being in charge of the station's total programme output, he will have responsibility for programme sales and co-productions.

★

**Mrs Corinne Carter** has been appointed to the board of CHIEFTAIN TRUST MANAGERS. She was closely involved with setting up the company, and has been executive assistant to the chairman since its inception.

★

**Mr Desmond Billing**, vice chairman of the Seed Crushers' and Oil Processors' Association, and vice chairman of Pura Foods, has been elected president of FEDIOL, the European group of edible oil industry associations.

★

**Mr Mike Marshall**, works manager for ARROW CONSTRUCTION EQUIPMENT, Blyth, has been appointed director and chief engineer. He joined the company 12 years ago.

★

**Mr Gordon Derby** has been appointed chief executive of BALTIC SAW MILLS CO., Tunbridge Wells.

**Mr H. V. Houillon** has resigned as company secretary of INGERSOLL-RAND HOLDINGS, Ingersoll-Rand Co. and Ingersoll-Rand Sales Co., but will remain a director of these companies. New company secretary of the three companies is **Mr R. M. Blanks** who joined Ingersoll-Rand in 1962.

★

JOHN FOLKES HEFO has appointed **Mr Desmond J. Newey** as group financial director. Since 1961 he has been secretary of the group.

★

NABISCO BRANDS has appointed **Mr H. John Greenlaus** as deputy chairman of Nabisco Brands Ltd, UK wing of Nabisco Brands Inc, U.S. multinational food group. Mr Greenlaus is a senior vice-president of International Nabisco Brands Inc. and was until recently, group executive responsible for the Life Savers, Nabisco Confections and Food Service divisions of Nabisco Brands in the U.S.

★

**Mr Richard Fildes**, of Squire Bowker & Son, has been elected chairman of the TEXTILE CONVERTERS ASSOCIATION, succeeding **Mr Neil T. R. Salvesen**, who becomes vice-chairman, after being chairman for the past three years.

★

**Mr J. Barry Toogood** has been appointed controller of finance for UNICOM, a wholly-owned subsidiary of Commodity News Services Inc — part of Knight-Ridder Newspaper Group. He joins from Deloitte Haskins & Sells.

★

**Mr Rod Thornley** has been appointed head of personnel for BANK OF AMERICA's Europe, Middle East and Africa division, based in London. He was previously vice-president, personnel planning and recruitment.

★

**Miss Cynthia M. Wright**, director and secretary, is retiring on December 31 after 36 years with RONALD BRITTON, a member of the J. & J. Makin Group, but will remain a consultant. **Mr P. B. Wilson** and **Mr G. A. Mowbray** have been appointed to the board of Ronald Britton with responsibilities for commercial and selling respectively.

# UK NEWS

## Miners and Ford workers head for crucial wage talks

BY BRIAN GROOM, LABOUR STAFF

THE NEW pay round enters a crucial phase this week as negotiations for miners and Ford workers begin. Ministers and leaders of the Confederation of British Industry (CBI) are stepping up efforts to keep wage settlements low.

The Government need have no doubts about the determination of Mr Ian MacGregor, National Coal Board (NCB) chairman, to keep wage costs down when Mr Arthur Scargill, the miners' leader, sees him tomorrow over a demand for a "substantial" rise and salaried status for the 220,000 miners.

With no opportunity to pass on the cost of a large settlement in higher coal prices, and a brief to curb NCB losses, Mr MacGregor's room for manoeuvre is small. He is unlikely to want to buy off the threat of a national strike.

Reports that the NCB will make an initial 2 per cent offer or go straight to a "final" offer of 4 to 5 per cent are speculative. The board meets today to decide its strategy, and may not make a first offer at tomorrow's meeting. But whatever emerges will be within that range.

Ford negotiators are watching developments at Vauxhall, where manual workers will decide during the next two days whether a new 14-month offer from the company – worth 7 per cent on an annual basis and 7½ per cent over the full period – is enough to call off their threatened all-out strike and import blockade.

Unions representing Ford's 48,000 manual workers will decide a cash figure for their flat-rate claim immediately before Friday's talks. They will also demand better pensions and sick pay, and shorter hours – a demand which the CBI is urging all employers to resist.

The Government has moved to dispel suggestions that it may be flexible over the 3 per cent provision it has set for public service pay. Original drafts of a letter to Civil Service unions about the 1984 pay

## Building orders up 8%

FINANCIAL TIMES REPORTER

ORDERS for new construction work won by UK contractors during the quarter to the end of July totalled £3.35bn at constant 1980 prices, 11 per cent down on the previous three months but 8 per cent up on the corresponding period last year, the Environment Department has said.

Public works orders had the biggest gain – 20 per cent on the corresponding period last year – despite being 2 per cent down on the quarter to the end of April this year. Public housing orders from May to July were 15 per cent down on the previous quarter and 5 per cent lower than the corresponding period last year.

## Government lifeblood for high technology

BY JOHN LLOYD, INDUSTRIAL EDITOR

GOVERNMENT aid to industry is now being increasingly directed to "pump priming" in high technology industries or in encouraging older industries to automate.

This modernisation is underlined in the first annual report under the 1982 Industrial Development Act, to be published by the Department of Trade and Industry.

Interventionism is not a word or a posture the Conservative Government likes, and it will continue to try to reduce this activity.

The report, however, shows that the Department of Industry – now the Department of Trade and Industry – still provides lifeblood for regions and companies.

It also shows the dimensions of the problem now facing the Cabinet, as it prepares itself for a review of regional policy. Regional development assistance during the past year, to March 1983, has totalled £889.56m, while selective regional assistance totalled £131.1m.

Under the first of these – regional development grants – Scotland receives well over a third of the total, at £287.3m, Wales receives £121.5m, the North-East of England £127.2m and the North-West £97.3m.

Clearly, none of these regions could be disconnected from the plasma tube without enormous suffering; even a diminution of aid will cause pain.

Selective assistance, at £131.6m, is aimed at "encouraging sound projects which will improve employment opportunities in the assisted areas."

The Government would like to change over the relative weights given to development grants, largely spent on capital, and selective assistance, largely spent on employment, to assist their aim of reducing unemployment. Such a switch, however, would be fraught with problems.

The English Industrial Estates Corporation spent some £36m on land and factory building, completing 972 factories in the year. It also took in £29.6m from rents and sales.

Interestingly, it is switching its attention to small premises – in keeping with the vogue for small businesses – and is developing a new concept for encouraging small high technology businesses in co-operation with the universities.

Two such money-spinning think-tanks have been set up, at Leeds and Bradford universities, and six more are planned.

Among the general schemes, the Government's guarantee of £200m to ICL, the computer company – made in April 1981 – appears to have been largely unnecessary.

The company has made its recovery on the basis of £50m redeemable preference shares taken out by Government, £20m of which were redeemed by ICL in April this year.

Whitehall has been active in guaranteeing loans to less highly visible companies, too – 9,396 of them, who were guaranteed loans totalling £312.6m during the past year under the small firms loan guarantee scheme.

It is, however, support for innovation on which the Government is keenest, and there is much and varied evidence of its enthusiasm.

New schemes include the flexible manufacturing systems scheme, started in June 1982, "to encourage and aid the use" of systems, now being rapidly adopted in all the advanced economies, which "combine microelectronics and mechanical engineering to bring economies of scale to batch work. This combination of flexibility and overall control makes possible the manufacture of a wide range of products in small numbers."

No payments have yet been made – a reflection of a certain conservatism but assistance totalling £1.4m has been offered for 17 projects with a total cost of £4.2m.

The robot support programme is self-explanatory. Here, too, no payments have yet been made but £1.3m has been offered for 16 projects whose total cost is expected to be £3.9m.

The fibre optics scheme (also no payments yet – £19.3m offered) supports the design of optical fibres, opto-electronics and optical instruments and production processes.

The computer-aided design and test equipment support scheme (no payments – assistance totalling £6.56m offered for 229 projects with a total cost of £26.8m) encourages investment in computer-aided design to increase companies' efficiency.

Finally, the small engineering firms investment scheme (I and II) exists to prompt small companies to modernise themselves, by investing in specific types of capital equipment.

The dominant impression from the report is that of a Government trying hard to escape from the coils of ageing industries – but having so far managed to extricate only parts of its body. Next year's report will be the more interesting for the view it provides of their progress.

*Industrial Development Act 1982: Annual Report 1982-83 HMSO, £8.60.*

## Plan for industry, councils told

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

THE GOVERNMENT has told local authorities that their planning policies must not be allowed to stifle the regeneration of British industry.

A draft circular issued by the Environment Department stops short of direct criticism of authorities but implies that many do not appreciate the planning requirements of modern industry.

This view is strongly supported by the development industry, which has become increasingly concerned about what it sees as the planners' failure to adopt a more enlightened approach to its needs.

Mr Patrick Jenkin, Environment Secretary, said positive planning policies were essential if badly needed jobs were to be created. "Land-use planning must promote and not hinder industrial regeneration," he added.

The circular says planning applications for industrial development should be decided "promptly and efficiently," taking full account of their economic implications and job creation potential.

In calling for a more flexible planning approach, the circular reminds local authorities that they must keep abreast of rapidly changing industrial technology and must not force high-technology employers into areas traditionally allocated for industrial use.

The document reaffirms the Government's commitment to preserving the Green Belt but suggests that use of disused farm buildings and poor rural land by industry should not be ruled out "as a matter of course."

# LETTERS TO THE EDITOR

## Conveyancing: consumers at risk, monopoly and technology

*From the Chairman, British Legal Association*

Sir,—I read with interest the article "Conveyancing and the public interest" by Tony Holland (September 8) and he is right to point out that the Royal Commission on Legal Services, chaired by Lord Benson, reported against the idea of allowing conveyancing to be done by all and sundry. Recently, Lord Benson has claimed that the employment of computers and other high technology by solicitors, up and down the land, will unfailingly bring down the cost of conveyancing to the client. A moment's reflection will tell you that whereas, no doubt, high technology has its place and can be made cost effective in very large firms of solicitors (notably in City of London firms doing a great deal of multiple conveyancing) it is simply of no value whatsoever to the smaller practitioner in the provinces. Moreover, the expense of purchasing/leasing such equipment would have the effect of putting fees up and not reducing them.

Those MPs who are about to launch a Parliamentary Bill upon an unsuspecting public designed to promote the unqualified conveyancer, probably know no better. If it were not so serious it would be laughable that this is happening at the present time when, more and more, the emphasis is upon protection of the consumer. There are those who say that a plumber ought not to be allowed to carry on his trade unless he is properly trained and certificated, but the damage that he can do pales into insignificance with the damage that the unqualified conveyancer can do in terms of the value of property wrongly conveyed.

A very much more practical way of bringing down the overall cost of house transfer would be if the Law Society in London were to be as forward looking as the Law Society in Edinburgh, and prevail upon local law Societies to set-up nonprofitmaking solicitors' property centres levying a fraction of the fees charged by estate agents. These non-profit making centres facilitate the sale of the vast bulk of houses sold in Scotland.

Unless healthy realism guides the Law Society then indeed we may find that Parliament is persuaded to allow the unthinkable and to permit unqualified conveyancers to finally come into their own. Speaking as a litigation lawyer I shall, of course, benefit by the upsurge in litigation which will ultimately be required to put to right many of the conveyances which will undoubtedly go wrong. The wealthy, of course, as now will have the good sense to continue to instruct competent solicitors and will continue to be protected against the dangers represented by unqualified conveyancing. The poor, with plans for restricting legal aid in the offing, may have to grin and bear it.

Stanley Best,
*116, London Road,*
*Southborough,*
*Tunbridge Wells, Kent.*


*From Mr P. White*

Sir,—Mr Holland's article (September 8) on conveyancing and public interest calls for comment on behalf of the public interest.

Mr Holland urges retention of the present system but he does not cite any substantial evidence in support of his belief that everything is for the best in the best of all possible worlds. Instead he relies heavily on the findings of the Royal Commission on Legal Services.

Both deduction and practical example amply demonstrate the fallibility of Royal Commissions to which, in my case, I can add personal involvement with three of them. By analogy I do not suppose that Mr Holland would advise a client who has just lost a case in the High Court that an appeal is unnecessary because his case has undergone "a thorough examination."

Conveyancing costs in England are much too high—particularly in respect of domestic transactions—and the process is much too long and arcane. If the Royal Commission had studied conveyancing in British Columbia instead of the U.S., it might well have decided that the system there is much better suited to the needs of the general public than the domestic one.

British Columbia has a modified (and improved) form of the Torrens system with title registration. It is simple to understand and use and the security of title is in effect guaranteed by the Government although claims are very rare. One reason why the costs are low is that conveyancing is not the monopoly of the legal profession. Notaries public who are not qualified lawyers are able to do the work required—and with a little instruction and encouragement, I am sure, many people could act for themselves.

In British Columbia the proportion of home ownership is higher than in England. Transactions are effected more quickly and the other ancillary matters all seem to be handled without difficulty—as they could be in England because something less than the knowledge and skill of a fully qualified solicitor is sufficient for domestic business.

A political problem is that there is a considerable vested interest in the present conveyancing monopoly. A practical answer is to set a time limit of, say, 10 to 20 years on it and to provide for paralegals to be phased in gradually. Tithes were abolished in this kind of way and seemingly without catastrophe.

The conveyancing monopoly is so aggravating that the supporters of it must expect attempts to break it to continue no matter how many Royal Commissions might see it otherwise.

*Philip H. White,*
Claridge Investments.
*3, St James's Place, SW1.*

*From the Chairman, Society for Computers and Law*

Sir,—I read with interest the article titled "Conveyancing and the Public Interest" by Mr Tony Holland (September 8) and I am concerned that in dealing with the subject he should not have referred to the work being done and to be done in the application of information technology to conveyancing particularly as he attended and spoke at a conference in June which examined the contribution the computer can make to the conveyancing operation.

Mr Holland quoted the report of the Royal Commission of which Lord Benson was chairman. Lord Benson was the chairman of the conference and he said that if the legal profession were to meet the requirements on the basis of which the Royal Commission had recommended the continuation of the conveyancing monopoly the profession would require to provide more efficient methods of operation and to make more use of modern technology. He added that the progress in the next three years would need to be faster than it had been in the last four.

It must surely be in the interests of the profession and the public that modern technology is harnessed to assist in meeting the legitimate demands of clients for a more effective and cost efficient service.

In this Society we appreciate that the computer is not a panacea for all conveyancing problems but we do believe that it is essential that the legal profession and their professional bodies recognise the important part the computer can play at all stages of the operation. One of the objects of our conference was to focus on what is being done and what might be done. Much is being done but much more remains to be done. It was clear that those present felt that the necessary research and development should be carried out and were prepared to contribute to the cost thereof.

A. S. Weatherhead,
*113, St. Vincent Street,*
*Glasgow.*

*From the chairman, National Association of Conveyancers*

Sir,—In my opinion, Mr Holland's article (Sept 8) indicates an unjustified anxiety over the Austin Mitchell Bill introduced last July. He seems to fear that its enactment would instigate a free-for-all in conveyancing contrary to the pro-monopoly recommendations of the Benson Commission in 1979. In fact it is doomed to failure, devoid of Government support as several similar bills over the past decade have failed.

Furthermore he omitted to clarify the basis upon which a free-for-all exists today. This is the establishment of case law in 1976 when I won a High Court action against the Law Society enabling anyone outside the solicitors profession to carry out 99 per cent of conveyancing work for profit. Thus a multimillion pound monopoly claim hinges upon the remaining 1 per cent which is the drafting of the Conveyance Deed.

Given this anomaly and the attempts by the Law Society to crush competion in numerous court battles, there is not just "puzzlement" in the mind of the public, but sheer incredulity. Recognising the obvious need for a middle position between a monopoly and a free-for-all, the next major development amongst conveyancers was the formation of this association four years ago. With a strict code of conduct and rules to comply with, members have to have professional indemnity/bonding cover and all are conveyancers with at least ten years practical experience behind them.

It is these relevant qualifications which matter most to the homebuyer coupled with the benefit of fair fee levels.

Our concern for the protection of the public as opposed to vested interests, lies in the positive area of advocating healthy competition backed by meaningful legislation instead of a reversal to Victorian times. Certainly there are many, if not a majority, of solicitors themselves who support this view.

David Ashford.
*2-4 Chichester Rents,*
*Chancery Lane, WC2.*

*From Mr F. A'Court*

Sir,—I have read with interest Mr Holland's comments (September 8) and Mr Pratt's view (September 13) concerning the Solicitors Act 1974. The main point of concern I suspect is not the private individual who wishes to do his own conveyancing, but the growth of companies who now provide, for reward, this service quite often at substantially lower fees.

With this in mind I certainly subscribe to Mr Pratt's view, that providing suitable and adequate negligence cover is in force, that this type of healthy competition should be to the benefit of the public.

This can be taken further on the overall cost of house buying/selling to the question of estate agents' fees and the gradual growth of property shops who quite often offer similar services with lower fees.

It has been said with every justification that the purchase of a house is probably the most important financial transaction entered into by most individuals. When the time arrives for the sale for whatever reason the total costs can quite often take the cream on the expected paper profit.

Property shops could hopefully exert pressure on estate agents to have a fresh look at their commission rates which are quite often similar, suggesting perhaps a loose arrangement? Healthy competition for estate agents from this source, like the competition to solicitors from conveyancing companies must result in a better deal for the purchaser/seller, providing similar standards of service and safeguards are maintained.

F. W. A'Court.
*13 Richmond Road,*
*Basingstoke, Hampshire.*

## Pensions: extra benefits mean extra payments

*From Mr C. Baker.*

Sir,—A remarkable "head of steam" seems to have been raised over the question of the pensions of those who change jobs. Let us therefore look at the facts.

An employee who changes jobs has, generally speaking, two alternatives:—to leave his pension frozen in the fund of his original employer until such time as he reaches normal pension age; or to transfer the capital value of his pension from the fund of his former employer to that of his new employer. The amount to be so transferred will be calculated by the actuary of the former scheme but, unfortunately, since actuaries rarely agree on values, it is unlikely that the capital sum will purchase the exact equivalent amount of pension. It may be more or it may be less.

It is difficult to see why the first employer should be expected to inflate the pension of the outgoing employee possibly for up to 30 years or more. The employer has done his duty by his employee who had, presumably, left to "better himself" (a good Victorian value). The onus must surely be on the new employer to give a reasonable pension taking into account any pension accrued elsewhere and, indeed, the Inland Revenue regulations permit just this. Perhaps some encouragement could be given to employers to do more by an amendment to the present regulations.

If employers are to be expected to inflate the pensions of ex-employees, the result can only be a considerable increase in cost which will probably have to be offset by diminishing the benefits payable to all members of a pension scheme. In this way, the employee who does not change jobs will suffer. Is this what is being put forward or do the proponents of these new suggested arrangements want to burden industry and commerce with still higher costs? Extra benefits cannot be provided without extra cost; this is fundamental.

C. P. Baker
*Broad Oak House,*
*Odiham, Hants.*

*From Mr R. Green*

Sir,—I have been surprised to find myself aligning with the Centre for Policy Studies on "portable" pensions. Mr Wynne-Griffith (September 14) argues at its views, saying correctly he is not explaining why they are "not so."

It appears to me that much of the pensions debate is still stuck in the incorrect attitude that the company pension scheme is a special deferred gift to its employees. Before the legislation of 1973 this was true; the big pension schemes that existed then were a bonus over the statutory minimum and it was reasonable to have a requirement that employees should join and contribute to the scheme. With the 1973 Act the situation in reality became radically different. All employees had now to be in a scheme which was to be the state scheme in default of an "opted-out" scheme at the employer's discretion.

The problem with early leavers arose because employers broadly speaking kept the formerly justifiable, bias towards long-stayers in the funds' rules. Of course, such a bias is not in the state scheme. Thus one solution to the early leaver problem would be to make opting-out a decision for the employee on taking up employment, not for the employer on his behalf.

In this era, however, when the electorate has expressed a preference for a free market-orientated Government this is a second best solution. There is no reason when almost every other investment device seems to have been "unitised" not to do the same to pensions and enable the employee to have a free choice of which pension scheme to join and the opportunity to review this in the light of its performance at administratively convenient intervals of perhaps three years. Existing in-house pension schemes could compete in this market along with the present variety of insurance companies, etc.

The effects this radical change would have are that companies would contribute the same amount as at present but have no contingent liability to top-up their pension fund. Long-stayers would in general do worse as their cross-subsidy from movers would cease. It is a transitional problem to ensure equity for these people and the present surplus position of many funds could be used for this purpose.

Another cross-subsidy which is almost entirely overlooked would be abolished: that is that high flyers, i.e. those whose salary increases are overall greater than the average, will get a pension proportional to their contributions, most of which have been made at a lower "real" salary, not their final earnings. Conversely, those without the potential or even the opportunity for such progress will not be unwittingly penalised.

In summary, these proposals restore the pension to its proper place in remuneration—a benefit the Government has ordered should be deferred. Companies wishing to give additional rewards to long-stayers or high-flyers will easily be able to devise other incentives without subtly robbing other employees. The pensions industry will cease to be a number of little monopolies and so become more competitive and perhaps more efficient.

Rupert Green,
*37, Meteor Street, S.W.11.*

MANAGEMENT CONTRACTING

# Slow progress to many benefits

### Mira Bar-Hillel examines CIRIA study

MANAGEMENT contracting can be useful in cases where time is important, where there is a need to start the work before design is complete, where a project involves a number of different specialist sub-contractors, and where the client and his professional advisers lack the resources to manage the work themselves.

On the other hand there is no established form of contract for management contracting, so the client faces increased risks and uncertainties about roles and liabilities and he may also have to pay more for administration and supervision. This makes it a poor choice for projects which—however large—are not multi-disciplinary and complex, particularly on the civil engineering side.

These are the conclusions of the first study of management contracting in the UK, undertaken by a team from the University of Manchester Institute of Science and Technology (UMIST) for the Construction Industry Research and Information Association (CIRIA) and published on Friday. It was done against the background of management contracting becoming increasingly popular in this country, with many of the largest contractors setting up specialist companies in the field. In many respects it is still, CIRIA says, in "an evolutionary phase"—the absence of specific contract documentation being an example.

The report is based on visits to 39 firms in the UK and 13 in the U.S. and includes 13 detailed case studies which enabled the team to identify both the advantages and the weaknesses. Management contracting has been in use here since the late 1960s, when it was "imported" from the U.S. but it is still quite rare in civil engineering and, according to CIRIA, with good reason. It does not, on the whole, see a great future for this type of contracting in a field where consulting engineers have a good track record in managing on their own in the client's best interest.

It is in the building, process and off-shore industries where the future is most promising, and it is here that the report finds progress slow in terms of realisation of potential benefits.

A basic, yet symptomatic problem is terminology: management contractor, contract manager, project manager can mean the same thing or three different things.

Main strengths of management contracting are identified as its potential in terms of saving time and expense. Time can be saved by more overlap of design and construction than normal: for instance, site clearance can begin before the drawings are finished. In the case (undesirable but sometimes unavoidable) of the programme being ill-defined and subject to changes, management contracting allows the work to be split into a series of self-contained "packages," any of which can be changed without necessarily delaying the entire programme.

At the same time costs can be saved through better control of design (it is recommended that the management contractor should be given managerial authority on behalf of the client over all those involved in the project).

An advantage difficult to evaluate is the greater involvement of the client himself in his work, and the removal of the adversarial relationship which tends to be established between clients and main contractors in normal contracting (the two are at opposite ends of a contract, with the architect or consultant as go-between but on the client's side).

The main weaknesses identified are more to do with management contracting not yet having come of age than with profound deficiencies. The worst problems in management contracting—as in all other contracts—arise when the client has made the wrong choice.

That apart, weaknesses tend to centre on the absence of standard "Conditions of Contract" to cover the system, and the lack of clarity about the exact roles of designer and contractor and their responsibilities for matters such as quality control and liquidated damages. The report recommends that until such contract documents are available, contracts should be prepared with professional assistance—and that the preparation of a "model set" of documentation should be considered, alongside guidance notes on the roles of the parties in management contracting.

With its conclusion, that "management contracting offers potential for improved management of design and construction," the report will no doubt please companies such as Wimpey, Laing, Taylor Woodrow, Trollope and Colls and many others who have gone into this line in a big way. At the same time many architects and consulting engineers reading the report may suddenly discover behind the jargon that they have been doing contract management for years without realising it.

REFURBISHMENT

# Electronics industry has special needs

BUILDERS ARE being kept busy altering premises for high-tech companies because they are still not producing the buildings that this growth industry needs.

A recent survey showed that one-third of companies questioned in the electronics industry had carried out major alterations to make premises more suitable. It appears that after several years of pleading by tenants and many architects and surveyors, developers are still not providing premises that modern industry requires.

Chartered surveyors Herring Son & Daw followed up a comprehensive study made in 1982—which recommended a battery of changes in the finance, design and planning classifications for industrial buildings—and found little progress had been made.

The institutional investors, who have an iron grip on the supply of speculative development, still appear in the main to see a high-technology building as "a warehouse with 20ft eaves height, maybe 20 per cent offices and, probably, a garish stripe on the roller shutter door, to add to a few brightly-coloured panels."

Some improvement has been noted in the amount of office space being built into new premises but the major complaint of tenants interviewed by the surveyors is that they could not get the office content they required.

Mr Nicholas Owen, senior partner of Herring Son & Daw, says there has been a better understanding of the special problems of high technology industries since the first report was produced, but little progress towards solving them.

Urgent action was needed to provide the right sort of premises. Glamorous or cosmetic solutions were not the answer.

Much of modern industry demands composite use of premises—integration of manufacture, storage, showrooms and offices—but this fits neither the clearly defined categories used by town planners nor the investment criteria of landlords. Architects and builders are therefore hamstrung, finding themselves called back to alter a building after the tenant has moved in.

Only 21 per cent of the companies questioned by the surveyors found suitable premises without difficulty. Almost 30 per cent found them only after serious delay; just over a third said major alterations were needed, and 16 per cent could not find the right premises at all.

A whole new sector of the industry is being created to alter new rather than old buildings, although the designers and builders employed on this work could just as easily have produced suitable buildings from the start, but for the investment and planning criteria.

The difficulty — or impossibility — of finding suitable premises and the extra costs involved in conversion is weighing down Britain's major growth industries and Herring Son and Daw are only repeating what most builders and architects feel about the obstacles.

DAVID LAWSON

# £18m renovation work

TROLLOPE AND COLLS (CITY) is working on refurbishment and rebuilding contracts worth over £18.5m. Among these is one to totally refurbish Export House, Ludgate Hill, for The City of London Real Property Co. (part of the Land Securities Group). The contract is expected to be completed by July 1984. Work is in progress at Albermarle House, a listed building in Albermarle Street, to carry out a major £4.5m refurbishment of offices for Electricity Supply Nominees. Completion date is September 1984. A £2m rebuilding programme is undertaken for the Worshipful Company of Drapers at 27-30 Lime Street. It includes demolition of four buildings behind a listed facade, and the construction of a five-storey open-plan office development above a row of shops at ground level. Work is scheduled for completion in December 1984.

## BUSINESSMANS DIARY

### UK TRADE FAIRS AND EXHIBITIONS

**Current**
International Motor Accessory and Garage Equipment Exhibition — AUTOQUIP/GARAGEQUIP (01-235 7000) (until Sept 30) — **Earls Court**

**Sept. 26-28**
"Can You Make It?" Exhibition, "A Challenge to British Industry" (01-248 4444) — **West Centre Hotel, SW6**

**Sept. 28-Oct. 2**
The 6th Personal Computer Show (01-486 1951) — **Barbican**

**Oct. 1-3**
Salon International (01-643 8040) — **Earls Court**

**Oct. 2-4**
British Footwear Fair (01-739 2071) — **Olympia**

**Oct. 4-6**
Surface Mining and Quarrying Exhibition (01-637 2400) — **Grand Hotel, Bristol**

**Oct. 4-6**
Fashion Fabrex (01-385 1200) — **Olympia**

**Oct. 4-7**
Computer Trade Forum (01-747 3131) — **N.E.C., Birmingham**

**Oct. 5-7**
Distribution Services Show (01-908 2123) — **Wembley Conference Centre**

**Oct. 17-20**
Computer Graphics European Conference and Exhibition (01-868 4466) — **Wembley Conference Centre**

**Oct. 18-26**
International Business Show (01-405 6233) — **N.E.C., Birmingham**

**Oct. 19-21**
Management Services and Equipment Exhibition (Brentwood, Essex (0277) 232030) — **Harrogate Exhibition Centre**

**Oct. 23-26**
London Business Equipment Show (01-405 6233) — **Earls Court**

**Nov. 3-5**
City of Swansea: Cities in transition (Swansea 0792, 50821) — **Swansea Guildhall.**

**Nov. 6-10**
International Furniture Show (01-724 0851/2) — **NEC Birmingham**

**Nov. 10-13**
The 1983 USM Event (Brentwood Essex (0277) 228452) — **Westminster Exhibition Centre, SW1**

### OVERSEAS TRADE FAIRS

**Sept. 26-30**
S.E. Asian Production Machinery and Industrial Development Show—MACHINE ASIA (01-486 1951) — **Singapore**

**Sept. 27-Oct. 1**
International Chemical Plant and Engineering Exhibition — INCHEM (01-221 2043) — **Tokyo**

**Sept. 29-Oct. 5**
International Motor and Motorcycle Show (01-439 3964) — **Paris**

**Sept. 30-Oct. 4**
Toy and Gift Autumn Show (01-839 5901) — **Taipei**

**Oct. 2-6**
Middle East Construction and Municipal Services Exhibition (01-935 8200) — **Kuwait**

**Oct. 2-5**
Fashion week (01-486 1951) — **Munich**

**Oct. 3-6**
Ready-to-Wear Collections Exhibition (20121 Milan) — **Milan**

**Oct. 3-7**
International Videocommunication Market—VIDCOM (01-499 2317) — **Cannes**

**Oct. 5-7**
Hong Kong Toy and Gift Fair (01-930 7955) — **Hong Kong**

**Oct. 11-17**
Korea Electronics Show (01-778 0913/8) — **Seoul, Korea**

**Oct. 23-27**
2nd Building and Construction Show—SaudiBuild '83 (01-486 1951) — **Riyadh**

**Oct. 26-Nov. 1**
World Telecommunication Exhibition—TELCOM (CH-1218 Grand Saconnex, Geneva) — **Geneva**

**Nov. 3-11**
Pan-Arab Food Industry Exhibition (01-636 5265) **Sharjah, UAE**

**Nov. 14-18**
Paris International Electronic Components Exhibition (01-439 3964) — **Paris-Nord Exhibition Centre**

### BUSINESS AND MANAGEMENT CONFERENCES

**Sept. 26-29**
ETMC: European truck maintenance conference (01-572 7313) — **Sheraton Hotel, Brussels**

**Sept. 27**
Oyez IBC: The weaponry of civil procedure (01-236 4080) — **Cavendish Conference Centre, W1**

**Sept. 28-29**
FT Conference: World financial futures (01-621 1355) — **Royal Lancaster Hotel, W2**

**Sept. 29**
Macfarlane Conferences: TV and radio—opportunities in corporate and financial advertising under the new IBA code—and the implications for Press advertising (01-637 7438) — **London Press Centre, EC4**

**Sept. 29**
The Industrial Society: Long-term pay deals (01-839 4300) — **3 Carlton House Terrace, SW1**

**Oct. 11-12**
FT Conference: The professional personal computer, markets and strategies (01-621 1355) — **InterContinental Hotel, W1**

**Oct. 12**
Chatham House: Mitterrand's France—an economic policy under pressure (01-930 2233) — **Chatham House, SW1**

**Oct. 19**
Riba: Flat roofs today—the answers (01-637 8991) — **Portland Place, W1**

**Oct 20**
The Industrial Society: Positive policies for involvement at work (01-839 4300) — **Carlton House Terrace, SW1**

**Oct. 20-21**
FT Conference on competition: Mergers, Acquisitions, buy-outs and public policy (01-621 1355) — **London Hilton, W1**

**Oct. 24-27**
FT Conference: The financial services revolution—banks and non-banks in the 1980s (01-621 1355) **InterContinental Hotel, W1**

**Oct. 26-27**
FT Conference: Banking and electronic technology (01-621 1355) **Royal Lancaster Hotel, W2**

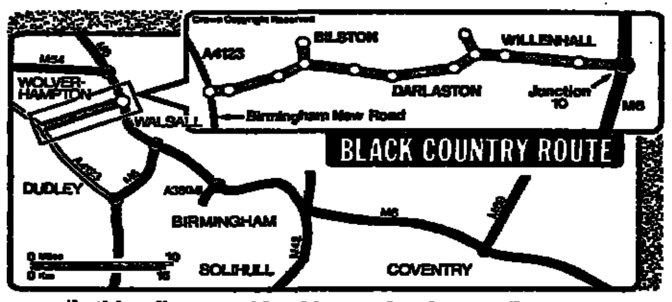
**Nov. 1**
IPS: Oil, gas and petrochemicals —Success in Exports Tool (Stamford (0780) 56777) — **Britannic House, EC2**

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.*

# BUILDING AND CIVIL ENGINEERING

WEST MIDLANDS LINK

## £30m motorway to be privately funded




THE ADVANTAGES of using private finance to fund road construction are now becoming evident from preliminary agreements drawn up for the Black Country link road in the West Midlands, which last week received county council approval.

The new road, a seven-mile stretch of dual carriageway through an area ripe for industrial development, is regarded as vital to the revival of the West Midlands economy and therefore needs to be built quickly.

Under normal funding arrangements by the county council and the Department of Transport, the road would take up to 11 years to be completed, but a private finance project backed by Tarmac Construction, National Westminster Bank, Saturn Management, and the council, will reduce this to about four years.

Department of Transport approval for the project is now awaited, which will allow the signing of contracts and agreements for institutional funding for the £30m scheme.

The finance, covering a period of 25 years, will include two elements. The first will involve NatWest, which has already played a major role by drawing up the financial plan, and other joint stock banks being invited to quote lending rates over the construction period.

This will allow the finest possible rates to be obtained, and a schedule will be drawn up by the consortium—called TNS—to establish the levels of funds needed over this four-year period.

On completion of construction, this funding would be taken out by the bond market, with longer term investors having been nominated at the outset.

Saturn Management, with its considerable experience of local authority and public sector financing, would play the leading role in arranging backing by institutions, which have already shown strong interest in the project.

According to the county council, this offers considerable advantages since the repayment of the loan would be linked to the volume of traffic using the road and the amount of floor space developed alongside the dual carriageway.

"The management contract also offers every incentive to keep the cost of construction within the estimates, a big advantage in view of the high incidence of high cost overruns," a spokesman said.

He added that Department of Transport finance for one section of the road had already been granted, and normal funding procedures would be used if the private project was not approved.

An application had also been made for a European Community grant which could provide up to £10m.

However, he stressed that the private scheme was preferred, despite the fact that it could cost more at market rates, although this cost would be stretched over a longer period.

The institutional risk funding will be related to the speed of development in the area, which means that if this is slow the council will pay less, and if it is fast it will pay more.

The route will be from the A4123 Birmingham New Road to Anchor Lane, Coseley Road, Oxford Street, Keyway, Owen Road, and on to the M6 at junction 10.

LORNE BARLING

EXTENDED WARRANTY

## Sir Lawrie Barratt demonstrates faith in timber-frame. . .

HOW WILL the house-building industry react to the latest rabbit to be pulled out of Sir Lawrie Barratt's hat—the 20-year warranty? At least one other company, Wimpey, understood to have been just pipped at the post by its main rival's TV and national Press commercials last week, is firmly expected to follow suit quite soon.

Sir Lawrie is generally thought to have turned the tables on his opponents, especially those who have recently been trying to cast public doubts on the long-term durability of timber-framed housing. Barratt now builds about half its houses in this way. Following a World in Action programme this summer, the company saw its shares dropping virtually overnight from £2.57 to £2, at onepoint wiping £60m off its stock market value, and, in spite of company claims that it has lost no sales as a result of the timber-frame scare, its shares never recovered above £2.30 and last week stood at £2.22 following the announcement of half-yearly results.

Sir Lawrie is keeping his offer simple. To prove his "supreme faith" in his own product he will, for all purchasers of Barratt homes who completed on or after September 18, extend the normal 10-year warranty against major structural defects offered and financed by the National House Building Council by a further 10 years on exactly the same terms but independently of NHBC and at no cost to the buyer.

NHBC itself has been considering extending the warranty but would prefer the extra cover to be optional and paid for by the house owner. However, a pilot scheme along these lines met with little consumer interest. That was before the timber-frame scare, during which the question of extending the warranty came up again. The NHBC's response, with the full backing of the house-building industry, was to reject any special treatment of timber-frame as opposed to other kinds of construction.

Sir Lawrie's offer covers all Barratt homes, whether timber or brick or block. He is now in the enviable position of reaping immediate benefits from a scheme which he has a full 10 years to work out and prepare for.

MIRA BAR-HILLEL



SUCCESSFUL CONVERSION

## Making an old rail-bed into a new by-pass

A SHORT by-pass soon to be completed around the Norfolk town of Bungay could provide ammunition for both proponents and opponents in the current dispute on the conversion of railways into roads.

The new £2.3m A143 Bungay by-pass is being constructed by Henry Boot Civil Engineering for Norfolk County Council on a section of the Waveney Valley Railway. Opened in 1860 from Beccles to Tivetshall via Bungay, it last carried passengers in 1953 and the rails were removed in 1960. The new road covers just a 3.4 km stretch of the original line from Earston to Ditchingham.

This section was ideal for conversion, with no deep cuttings or embankments, no sharp curves, no steep inclines and no tunnels. Even so, it still presented both the contractor and the consultant engineers, Freeman Fox and Partners, with three problems endemic to any rail to road conversion — roadway widening, compaction and drainage.

The by-pass design called for a straightforward single-carriage two-lane road with a conventonal 12.3 metre width, made up of a 7.3 metre width cariage way with a 2.5 metre verge on either side. But the railway formation for a single track is 4.4 metres, less than half that required for the road. As a result, considerable earthmoving works were needed to achieve the required width.

But the railway also crossed six water courses and one footway. The piers and abutments of these bridges not only required widening, but new decks also had to be provided as the original decks were unsuitable for a roadway. Although all of the bridges could be widened, Martin Below, the project engineer for Freeman Fox and Partners, notes that it might actually have been cheaper to demolish at least one of these bridges and replace it with a completely new one.

In one case demolition was unavoidable. The brick arches which carried a road over the old railway could not be made to provide safe clearance for road traffic and had to be demolished and replaced by a new concrete bridge.

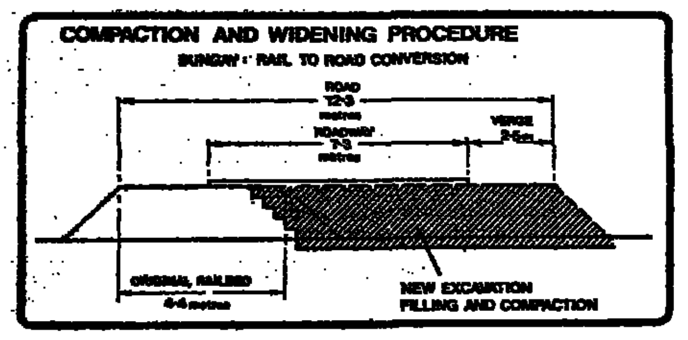
As the Waveney Valley line runs through flat, low and peaty meadowland drainage was also a problem, with flooding of the line an annual event. Railway track is largely self-draining through the stone ballast and through centre drains. For conversion into a highway, however, conventional drains have to be dug. In this case the contractors were fortunate in that the original rail bed was raised on a low embankment and there were still traces of a drainage ditch alongside the track which could be re-opened.

But possibly the biggest problem was widening and compaction of the rail bed. Nearly 100 years of rail traffic had firmly compacted the low rail bed embankment and the supporting soil beneath it. If the embankment was widened merely by adding earth fill at the side, the added fill would settle over time while the original embankment would not. The eventual effects on the road surface can easily be imagined.

To avoid this the contractors had to remove all peat from below the surface of a strip cut alongside the existing embankment and excavate its heavily compacted top. The adjacent strip and the space above the remainder of the railway embankment then had to be filled and compacted with suitable earth to provide a fairly uniform embankment for the new road.

COMPACTION AND WIDENING PROCEDURE

BUNGAY: RAIL TO ROAD CONVERSION




Such problems have to be set against the potential advantages of conversion. In this case the advantages seem to be considerable. The old railroad formed a barrier to Bungay's development while the new road should promote it. Also, the road was constructed without the demolition of any town buildings and without creating any new land severance or disruption. Finally, it provided a congested town with a much needed diversionary road at slightly less cost than a conventional one.

But it is also true that the Bungay by-pass is almost a text-book case for rail to road conversion which only a small proportion of the estimated 22,000 km of disused railway in Britain could match. With all the constructional problems involved in even this "ideal" conversion it is still valid to ask if there is a real benefit in the large scale conversion of railways into roads.

TOM SEALY

### £10m for Tarmac

Contracts worth £10m have been awarded to TARMAC CONSTRUCTION companies. The largest, worth nearly £2m, will be carried out by Cubitts, part of Tarmac Regional Construction, and is for structural refurbishment and associated works at Albert Dock, Loverpool, for Arrowcroft. Other large contracts include a sports centre at Kirkstall, Leeds, for Leeds City Council, worth £1.7m, and work to existing offices and workshops at Carters Green, West Bromwich, for the Territorial Army, worth £1m. Two contracts have also been awarded to the contract housing division for improvements to local authority homes at Sheffield (£928,000), and South Staffordshire (£898,000).



## 'Scandal' say sub-contractors

WHAT IS described as "a major scandal of national significance in the construction industry" is exposed in a report issued by the Confederation of Construction Specialists.

Called "Corruption of the Commercial Process," it describes in detail the persistent and growing imposition by building and civil engineering main contractors of onerous and unfair sub-contract conditions and procedures on to the specialist firms who nowadays carry out the majority of the physical work on most construction projects. The report also outlines some of the consequences.

The confederation says these include :—

A multi-million pound "rip-off" with at least £500m unfairly extracted from specialist firms every year;

an unnecessary increase in the cost of construction work of probably at least 10 per cent;

an inevitable—but unnecessary—lowering of the quality and workmanship of construction work; and

an undoubted contribution to the unnecessary and tragic toll of deaths and injuries on construction sites.

The construction industry, and its all-important clients, can potentially benefit greatly from the concentrated expertise, flexibility, geographical mobility (and relative stability of employment) offered by specialist construction companies, says the report. But this potential is currently marred by a distortion of the contractual relationships.

The report then makes a plea for standard sub-contract documentation and procedures, but says that despite the availability of a comprehensive range of standard forms of sub-contract covering almost all types of building and civil engineering work, the majority of individual main contracting firms impose their own non-standard and one-sided sub-contract documents and procedures as a matter of normal policy, and in the process introduce unnecessary complexity, dangers and costs into the construction process.

CONTRACTS

### Tank to test ships and oil rigs

NMI has awarded a £1.7m contract to BRITISH HOVERCRAFT CORPN. to design and build a test basin for models of ships and offshore structures. The basin will have a computer controlled 90-segment wage generator that can reproduce the complex wave patterns occurring in any part of the ocean. BHC's Test Facility will act as main contractor. Construction has started and completion date is August 1984. The new basin, 30 metres by 48 metres will be built on the site of two existing basins as NMI's Feltham, Middlesex, headquarters. It will be the largest and most advanced of its type in Britain and one of the largest in the world. The basin will have an overall water depth range from 1.5 to 2.3 metres. A six-metre cubic pit will accommodate deep water models in over 8 metres of water. The pit will be closed when not required. For the contract BHC is leading a consortium of which the other members (with their responsibilities) are: HRS (design consultants and computer controls); Tilbury Construction (civil engineering work); Keelavite Division of Commercial Shearing (hydraulic drives); Mannesmann Demag (travelling crane and carriage); and Bowsher Electrical (control wiring and lighting).

*

A by-pass road is to be built by HENRY BOOT CIVIL ENGINEERING on the northern side of Ripley for the A 610 Ambergate to Nottingham principal road. The contract, worth £2m, consists of 1.8 km of 7.3 metre wide carriageway with 1 metre hard strips in flexible construction; a viaduct over the A61 Butterley Hill as well as over diverted industrial railway siding which are to be re-layed by Henry Boot Railway Engineering; and two culverts plus earthworks and drainage.

*

TURRIFF CONSTRUCTION has won a £1m-plus contract from Kirklees Metropolitan Council for the modernisation of 106 homes at Brackenhall Estate, Huddersfield. And Easington District Council has awarded Turriff a contract worth over £316,000 for remedial work to 45 homes, Acre Rigg III, Peterlee, County Durham.

*

Work has started on the construction of McCARTHY AND STONE'S Homechester House, a £1.5m warden assisted sheltered homes scheme in High West Street in Dorchester. The project is due for completion in July 1984. Fifty-one self-contained retirement homes are being constructed on the site.

*

AL-FUTAIM WIMPEY, an associate of the British Wimpey Construction Company, has won a $2.45m (£1.6m) sub-contract for an oil storage facility in Dubai. The contract, awarded by Britain's Fluor Ocean Services, includes laying asphalt roads and preparation of oil tank foundations for the Margham depot.

*

HOLLAND DREDGING COMPANY (UK) has won a contract from Esso Petroleum Company to carry out maintenance dredging associated with the Coaster Berths at Fawley, Southampton. The contract, worth about £400,000, involves the removal of up to 100,000 cu metres of material which is to be transported 23 miles to the Nab deposit zone.

## . . . which gets approval from the authorities

THE CONTROVERSIAL timber-frame house has been given a clean bill of health by the manufacturers' organisation, the British Woodworking Federation, which last week declared that all doubts on timber-frame construction had been "closely examined," and found not be based on any evidence.

"We have now had definitive reports from the National House Building Council and the Building Research Establishment which have given us a clean bill of health," said the Federation's president, Mr Stephen Davies.

He claimed that out of 150,000 timber-frame houses built since 1965 there were only seven relevant claims, compared with 20,000 claims out of 2,500,000 traditionally-built houses.

The managing director of one of the largest manufacturers of timber-frame housing, Mr Peter Carr, said there was "strong evidence" that a campaign by the "brick, block and concrete products manufacturers" had undermined public confidence and caused loss of sales.

A BBC programme on timber-frame houses added to a fairly high downturn of sales in all types of construction, said Mr Carr. There was no evidence that these houses were liable to condensation and they were far less likely to have moisture built in because of the speed at which they were erected, he said.

The Federation has published a pamphlet giving information about timber-frame houses.

# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

# Survivor in a stricken industry

**Stewart Fleming** reports on the inexorable rise of the Trumpf machine tools group

EUROPE'S NEW ENTREPRENEURS

OVER the past five years, as West Germany's once impregnable machine tool industry has creaked and groaned under the weight of mounting international competition, Berthold Leibinger has been showing his German peers that quality engineering can still conquer world markets—provided it is liberally dosed with technical innovation.

Leibinger, the 53-year-old son of an oriental art dealer and himself a member of the managing board of Stuttgart's renowned International Bach Academy, is the majority shareholder and chief executive of a company, Trumpf Maschinenfabrik, which is recognised around the world as one of the most successful and progressive manufacturers of machine tools.

In a period—1980-83—when West German machine tool output will have shrunk by about one-fifth in real terms, when a majority of the 400 companies in the industry are probably losing money, and when renowned machine tool manufacturers such as Gildemeister and Pittler have had to turn to their bankers for financial support, Trumpf has been continuing its successful worldwide expansion.

Since 1973 when Leibinger and his partner, Hugo Schwarz each bought 50 per cent control of the company from the founder, Christian Trumpf, the Stuttgart-based company's sales have more than quadrupled from DM 50m (£10.25m) to DM 225m (£56.25m) by June 1982. In this financial year sales are expected to rise to around DM 240m.

It is the way this growth has been achieved which makes Trumpf such an important company in West Germany and in the Federal Republic's machine tool industry. In its application of modern technologies such as lasers and computers to both its production line and its products Trumpf has been showing other medium-sized privately-owned companies how they must break out of their traditional mechanical engineering mould if they are to avoid being trampled on by more adventurous competitors, particularly from Japan.

The importance of Leibinger's role as a catalyst in an industry which has been slow to adjust to changing technology was underlined earlier this year when one of the best known trade magazines in the machine tool industry, the U.S.-based International Metals and Metalworking Magazine, singled him out as its first "Man of the Year."

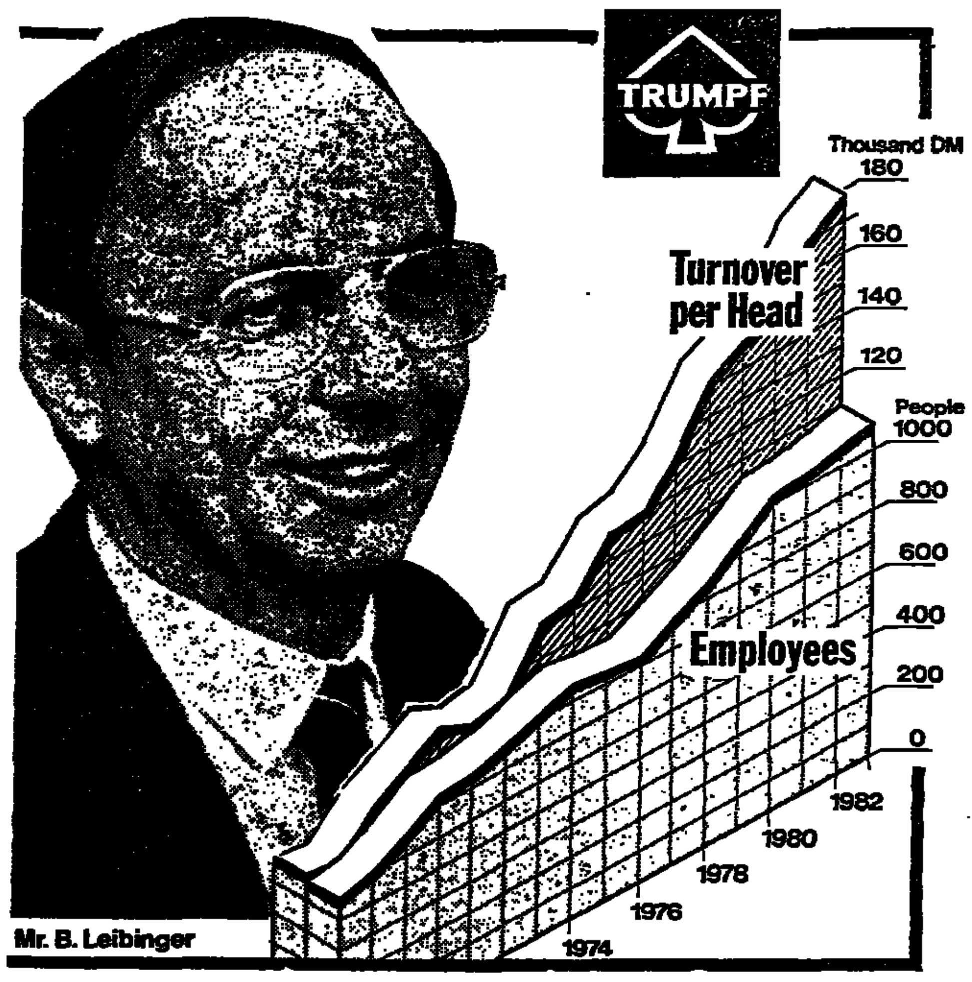
One industry executive who knows him well personally and who therefore prefers to remain anonymous describes Leibinger as "one of the three or four leading entrepreneurs in West German industry working outside the ranks of the giant multinationals. He is not just an engineer, and a very gifted engineer with several patents to his name, he is also a superb marketing man and motivator of people—a unique blend of the talents you need to be successful in this industry."

But it is not only his eagerness to embrace new technology—in a country which is growing increasingly concerned about the shortage of entrepreneurs in frontier industries—which has attracted attention to Leibinger.

He is also a man who is convinced that if West Germany is going to regain its vitality as a capitalist economy then entrepreneurs must secure for themselves a higher status in society and convince their fellow citizens that what they are doing serves the common good. Moreover he is determined to play an active role putting this case.

A close business associate remarks: "You can certainly say he is very active in promoting industrial development in Baden-Würtemburg." He is, for example, a Supervisory Board member of the Frauenhofer-Gesellschaft, a nationwide technical research institute partially financed by the German Government. This institute, says a state Government spokesman, produced the original proposal which led to a micro-electronics research centre being established at Stuttgart University, with DM 60m of state backing.

Born in 1930 near Stuttgart Leibinger's chances of becoming an engineer, like his grandfather, seemed slim as the war ended. With the then U.S. Treasury Secretary Henry Morenthau proposing the transformation of Germany into an agricultural land—in the interests of world peace—Leibinger's father advised him not to bother with further education.



Mr. B. Leibinger

Leibinger did not take the advice. Instead he went to work as an apprentice for Trumpf, a family friend as a result of a common interest in oriental art. Then, at the beginning of the 1950s, he went to what has since become the University of Stuttgart to study engineering.

Returning to Trumpf in 1957 rather than carrying on to take a doctorate, Leibinger quickly displayed the creative engineering flair which has been one of the foundations of Trumpf's success under his leadership. He invented a sheet metal cutting process called "copy nibbling." Nibbling is a method of cutting sheet metal through punching holes in it. Leibinger's "copy nibbling" process transformed this method of metal working throughou the world. "Before this invention," he says, "all nibbling machines worldwide looked the same. After five or six years they all looked the same again." In the meantime his design had become the new standard.

The success of the invention was not pre-programmed however. He had barely completed it when he decided to leave Trumpf. He took with him a promise of royalties if the company sold any of the new machines, though the then technical director's judgment was that Trumpf might sell four or five in a year. "At the peak we built 400 in a year and we are still using the same principle today," he says.

Leibinger's destination was Cincinnati where for two years he worked for the leading U.S. machine tool company, Cincinnati Milling and Machining.

Today Leibinger describes his decision to go to the U.S. as the fulfilment of a dream—a dream, incidentally, which few young Germans today could understand. "I grew up in the Third Reich," he says now. "Everything was restricted, everything was controlled . . . there was no freedom whatsoever. And then in school we encountered John Steinbeck and Thornton Wilder. I went to America because of the attraction of American culture." It is an attraction which has not faded with time—Leibinger's 16-year-old son is now at school in America.

In 1961, after his return to Trumpf, Leibinger became head of the company's design department with an awareness of the vital role which the numerical controls he had seen in Cincinnati were going to play in the machine tool industry.

A succession of major product innovations (as well as many minor ones) followed, including in 1970 the first numerically-controlled sheet metal machining centre with automatic tool change, the first CNC computer numerically controlled laser cutting press built in Europe (1979) and, in 1980, the first environmentally safe CNC plasma cutting press.

But it was not just the company's innovations stemming from Leibinger's engineering flair which accounted for the company's growth.

Unlike many of the more conservative and old established companies in the industry which simply added more and more increasingly expensive West German workers in order to expand their output in the boom years of the late 1960s and early 1970s, Leibinger recognised that the machine tool industry must make use in its own production processes of the electronic gadgetry it was attaching to its products.

Thus, while many West German machine tool manufacturers are still struggling to automate their own production and have been forced into making expensive and painful cutbacks in their workforces as the recession has deepened and competition intensified, Trumpf has been able to maintain a steady rise in employment and, more important, a very rapid rise in output per head. This increased from around DM 70,000 in 1973 to DM 180,000 in 1982.

Leibinger himself leaves no doubt that it is the creativity and problem solving of the engineering side of the business which still fascinates him. "I am not so interested in organisation," he says. "I can do it and I have to be involved, but I need to discipline myself. But to talk about a new product, even to draw sketches, discuss and propose solutions, this is fascinating."

On the other hand, when asked what aspects of the future development of the business he has to be most concerned about he singles out two areas. One is indeed technology and the future; for example, whether, given the importance of electronics to the engineering industry, Trumpf needs to expand horizontally and develop a broader technical base by, say, producing its own line of computer controls. Or is it better to focus on becoming a better machine tool manufacturer and therefore a bigger customer for its suppliers. "This," he says, "is a question we discuss back and forth every day."

The other area where Leibinger sees fundamental policy decisions was in what he calls "the structure of the company." It is a theme which raises a whole range of issues, many of them common to fast-growing private firms, ranging from ownership and management succession to finding and keeping top quality managers.

So far as ownership and succession are concerned Leibinger has already laid down two markers. One is an agreement that will ultimately increase his voting stake in the company to 55 per cent, giving his family control. "I always felt that 50/50 was no solution for the future," he says. "It works with two people, but not with six and it does not work with active and inactive shareholders"—a reference to the six children in the two families of the partners.

On the other hand, he adds, "we have to have a successor in the family only if the successor qualifies and that qualification should be controlled by independent outside people." Thus Trumpf has a five-man supervisory board which does not include Leibinger himself, but which he feels provides external discipline on the executive management.

Motivation of management is another issue. He sees his decision to buy out Trumpf in 1973 and to pay him back over a 10 year period as a major motivating factor. "We had our hands full making the payments. That is one reason this company is doing well; we had to be successful," he says wryly. On the other hand he shows no inclination to want to motivate his executives by handing out shares to them. "I do not believe in zero point one per cent participation for everybody," he says.

He is conscious, however, that Trumpf is a company in transition, reaching a size and complexity where one man, particularly a man who wants to do more than just run a successful private company, can manage. "Obviously the company is too big, too complex. How do we attract talent, first-class talent, how do we keep it interested? These are the questions I have to think about."

## Management abstracts

**Human asset accounting.** M. J. Mee in Accounting and Business Research (UK), Winter 82

Examines concepts of human resource accounting, suggests that accounting ought not to attempt to measure the value of people and that human assets should not be shown as a balance sheet item, but argues that "deferred input costs" relating to people ought to be recognised and integrated into the measurement of other costs and income.

**Women and word-processing.** H. Downing in Aslib (UK), January 83

Argues that, basically, word processing is but another way of co-ordinating, controlling, reducing and "taylorising" predominantly-female office work; stresses the depersonalisation aspects, with a variety of examples, and glances at ways in which women can fight back.

**Private enterprise takes on terrorism.** C. Dobson and R. Payne in Across the Board (U.S.), January 83

Points to the growth in the private security business, and, in particular, protection for businessmen against terrorist attack; reviews developments in security devices — armour-plated cars, trained drivers, insurance/ransom negotiators, and bodyguards.

**Value added and wealth: a "real" view.** R. Burritt and F. Clarke in Accountancy (UK), January 83

Claims that most value-added statements are cosmetic rearrangements of profit and loss data and pleads for statements which genuinely demonstrate "net real money's worth added."

**Colour in offices.** B. Digerness in Administrative Management (U.S.), December 82

Associates principal colours with human emotions, temperatures and reactions (eg, brown is tiring, blue is relaxing, even depressing) and suggests colour combinations for office planning.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £3 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley, HA9 8DJ.

# THE ARTS

## Tooth of Crime—Bush/Angel City—New End

**Martin Hoyle**

Two current revivals of plays by Sam Shepard make abrasive viewing. He may have pared his style down from the floridly rococo technokitsch of *Tooth of Crime* (1972) to the threatening sinewy mockery of *Angel City* (1976), but his vision remained bleak.

*Charlie Hanson's production* for the Black Theatre Co-operative at the Bush has updated *Tooth* to the age of funk. The myth of the old king's ritual destruction by his youthful successor is seen as a match between fading rock star and invulnerably cool newcomer. The language is distilled from the terminology of pop, cars, gang warfare: the links between sex and rock, sex and machines, sex and power, are nakedly exposed. The tottering tyrant craves another hit (or kill): "If I don't kill I get crazy. I start eating away at myself." (No wonder the English edition's blurb solemnly identifies Hoss as a retired killer!)

The speech glitters and bristles, recycled verbal wreckage honed and polished into an ominously near-human robotic edifice. Rose Coutts-Smith's metallic set expounds the theme of dehumanised power: an apparent sculpture of shiny car-parts swivels round to reveal a padded executive throne, arms thick with electronic gadgetry, from sound systems to TV screen. Two antennae are a mocking echo of the bull's horns crowning the chair: Shepard will refer to nature mechanistically imitated, surpassed and distorted again in *Angel City*.

Victor Romero Evans's ageing star in torso-baring black leather, complete with silver-studded cod-piece, does an endearingly old-fashioned routine, all pumping pelvis and scowling prowling along the front row (a brace of my distinguished colleagues visibly quailed). Mr Evans goes to pieces magnificently: warned of danger by the charts — and in this nightmare SF world these can be astrological as much as pop charts — he awaits the young challenger with the defiant resignation of Macbeth sighting the approach of Birnam Wood.

The Rolling Stone Keith Richards was the author's image for the young usurper. Here it's Chris Tummings in crash helmet, carefully slashed jeans and American footballer's padded shoulders. The singer's confrontation, a "style match," is the play's highlight, Tummings's insolently rapping jibes countered by Evans's blues-style verbal lunges.

After such ferocious intensity anti-climax is inevitable, though the victor's attempts to teach the deposed idol new tricks ("Get mean. There's too much empathy. Too much pity.") provide a sinister pointer as to who will inherit the earth. The supplanted king self-destructs—the mechanical euphemism is significant; the hip newcomer is left in possession.

Those who find much of rock disturbingly regressive will note the near-Fascist emphasis on might and aggressiveness. "Power — that's all there is," says the ex-King's girl before calmly switching allegiance. The winner's jerky, foot-swivelling dance—to Nat Augustin's vital musical direction—with flat palms feeling their way along an invisible wall, crystallises the almost solipsistic blend of exhibitionism and isolation that characterises the public idol or the dictator.

Another executive chair dominates Nigel Prabhavalkar's terse set for *Angel City* at New End, an indication of the authority that shapes our unheeding lives, Big Brother or, as here, a movie mogul. He too is threatened, fighting against time, turning, with a nod to Ionesco's rhino, into a reptile.

If *Tooth* stylised the myth of the show-down, so *Angel City* comments acerbically on the dream industry. "I hate my life not being a movie," says Anna Skye's smart secretary; and transmogrifies into an Irish nun happily scrubbing floors. The neon-framed grey window upstage reveals both the all-pervading smog and a cinema screen whose characters lapse into vacuous unseeing stare at their audience.

Panicky executive, freaked-out drummer and self-conscious artist (the excellent Nigel LeValliant) discover the ultimate nightmare for a projected horror movie, "locked into the narrowest part of our dream machine." If *Huis Clos'* hotel, no less than Kafkaesque corridors of power, loom large, the final voice in Adrian Jackson's compelling production is Shepard's own. As in Elizabethan tragedy, the distortion of natural values will bring its own revenge. The smog will devour the city that created it; and Birnam Wood will well and truly arrive at Dunsinane.

Victor Romero Evans and Jaye Williamson

## Architecture/Colin Amery

# Frank Lloyd Wright in New York

Frank Lloyd Wright is receiving the kind of attention usually only offered to the greatest of architects of the past. This is exactly as it should be because no one can doubt the quality of his inventive genius. The evidence—apart from his buildings—is presently on show in two major exhibitions in New York. *Frank Lloyd Wright and the Prairie School* is at the Cooper-Hewitt Museum until December 31, and is a brilliantly concise and informative show.

The second exhibition should be seen in something of a rush—you only have until October 16 for the finest display of Frank Lloyd Wright drawings to be seen since his death at the excellent Max Protech Gallery at 37, West 57 Street. The remarkable thing about this show is that all the drawings are for sale. The purpose is to exhibit and sell a limited number of drawings from the archives of the Frank Lloyd Wright Foundation as a means of raising funds to endow the Frank Lloyd Wright School of Architecture and to ensure the preservation of the Taliesin home and office of the master, at Spring Green, Wisconsin.

The Protech show has raised the hackles of the architectural historical community in a way that would have amused Wright. He had a fairly dim view of the ways of bureaucracy and had always intended that his foundation and his school should be run very much as a private enterprise. I think that Wright would want his drawings to be seen by those who love them and for them to be for ever in a remote archive would not have met with his approval.

There are 100 drawings for sale at prices ranging from $5,000 to $200,000—prices that will have quite an effect on the marketing of modern architectural drawings. The Protech Gallery has pioneered the sale of the work of living architects and it looks as if the gallery will establish records of a different kind with the sale of these Wright drawings. There are conceptual and presentation drawings and the quality is superb at every level. There is the Sullivan-inspired Isadore Heller House in Chicago, of 1896 and the Wolf Lake Amusement Park, a pavilion by Wright that would easily be taken as an early work by High-Tech architects.

Graphic designs by Wright for the publication of the *House Beautiful* of the 1890s are indications of the high quality of the graphic work done by his own hand. The earliest "miesian" modern building by Wright is the Larkin building (now demolished) in Buffalo, New York. This has all the signs of a work of a total genius and is an amazing opportunity to acquire one of the most important drawings of the century. Unity Temple, the Robie House, Midway Gardens, and the Imperial Hotel in Tokyo, are all displayed in the sale by very fine examples of the graphic style of Wright and his collaborators.

Is it legitimate for a Foundation dedicated to the promotion of the ideas of Wright to disperse the archive? It is clear that a careful selection of drawings has been made that will only marginally influence the role of the complete collection. Only examples of each particular building will be sold, leaving a good run of works in the archive.

Anyone remotely interested in the development of modern architecture should visit New York for both these shows—particularly the Protech Gallery exhibition because it is an unrivalled display of the quality of both Wright's work and his ideas. The value of the Cooper-Hewitt show is that it gives a very clear picture of the total performance of the school of architects that grew up with Wright.

> "Anyone remotely interested in the development of modern architecture, should visit New York for both these shows."

These were important architects who worked with Wright and then went on to make contributions of their own. They include Walter Burley Griffin—who was to design the Australian capital city of Canberra; William Drummond; Barry Byrne and Marion Mahony—the men and women who Wright considered would produce the "New School of the Middle West."

Of special interest to anyone concerned with the future of interior design in this century is the work of the artists who worked under Wright's direction. George Neidecken reveals his talents as an interior designer but is patently less good when working away from the direct influence of Wright. Sculptors Richard Bock and Alfonso Iannelli are also well represented. The great interest of the show is the range of objects which are superbly and simply arranged in the rooms of the Carnegie Mansion, the home of the Cooper-Hewitt at 2, East 91st Street on Fifth Avenue. Furniture, lamps, and a particularly good example of Wright's window glass, are arranged with more than 100 drawings and very potent contemporary photographs.

It would be excellent if this show could come to London (it should be at the V and A), because it does give a very clear and elegant picture of the growth and development of a major school of total design.

An entertaining small exhibition of the art of the toy buildings — architectural cast-iron banks — that were made from 1870 to encourage thrift among childrens also at the Cooper-Hewitt. For readers of this paper they offer an unusual combination of architecture and money. Many of the most famous buildings in the world became miniature deposit houses for children. Today they are shown as examples of the architectural awareness of our forebears and a restatement of the view that buildings represent safety.

New York remains the home of the best presentation of architecture to the public. How refreshing to be in a city with an architectural culture—however inevitable it is that it should be connected with money.

## Everly Brothers/Albert Hall

**Antony Thorncroft**

The second, and last, night of the Everly Brothers come-back tour at the Albert Hall on Friday was one of those rare emotional occasions at which all involved — the brothers, the band, the audience, even the Hall's troglodyte attendants — are well aware that they are contributing to an experience.

Twenty years ago during a British tour Don Everly cracked and the close harmony duo's spectacular career nose-dived. Ten years ago they announced they would not play together again. But here they were, united just for London, and what might have been just a wallow for nostalgic voyeurs turned out to be a musical triumph. The Everlys were in very good form indeed, and the audience, many of whom had progressed with them into their mid-forties, looked at each other and said "well, we're not so bad either. Now how exactly did the hand jive go?"

The years may have fleshed out Don Everly, but, for a country boy, his introductions were a model of reticence and charm. As for Phil he looked good enough to be a Presidential candidate. Both managed to make black ties and evening dress seem fashionable. Having surmounted the formidable hurdle of how they would look the Everlys proceeded to score all down the line by securing an excellent rocking band, with Albert Lee allowed some searing solos, and by playing every decent song that has graced their name.

Half the way through a generous act they dispensed with the band and went back 30 years to the time when the Everly Family played country and folk on mid-West radio stations. This was more interesting for its personal perspective than musically.

For some of the Everlys' early hits, such as "Wake up Little Susie" and "Bird Dog," are, like early Beatles, just too superficial. Better by far are the emotional ballads, so suitable for their plaintive harmonies. "Love hurts" hurts; "So sad" is genuinely sad. Perhaps "Ebony eyes" is over the top, but the poignancy of teenage life 25 years ago was never bettered than in songs like "When will I be loved" and "All I have to do is dream."

With such strong material and the voices a wonderful tribute to the benefits of good living, the evening was a rousing success. After the first encore Don was giving Phil a tentative clap on the back; by the third, the chilling "Let it be me." they were actually embracing, the perfect ending to a very pleasant event.

## Jeffrey Tate/Festival Hall

**Dominic Gill**

Desirable though Tony Banks's policy of opening up the South Bank in general, and the Festival Hall in particular, to the wider populace of London may in some ways be, the decision to bombard orchestral concert-goers during the intervals and after the concerts on Friday, Saturday and Sunday nights in every foyer and staircase of the building with the sound of amateur jazz is just radical chic gone daft. The now-defunct riverside restaurant is an un-soundproofed area, never designed for music-making, let alone jam sessions. Could someone at least please shut the door?

Last Friday night, furthermore, the jazz was very bad indeed. Inside the main auditorium, the concert was half good. Jeffrey Tate, for many years Covent Garden's chief *répétiteur* as well as assistant to many notable opera productions abroad, has recently emerged as a fine concert and opera conductor in his own right. The English Chamber Orchestra, a band with whom he has clearly established a special relationship, responds to him keenly.

Their performances together of Eagner's *Siegfried Idyll* and Schubert's second symphony were paragons of clarity and calm intelligence. The *Idyll* especially came across with remarkable freshness, delicately and firmly voiced, every strand deftly and stylishly nuanced. New conductors are rare; good new conductors are rarer. With any luck, Mr Tate's appearances in our London concert halls will now become as regular as they are welcome.

The two central works of the ECO's programme were both guitar concertos, with John Williams as soloist. In Rodrigo's potboiler *Concierto de Aranjuez* Williams was unobtrusive to the point of reticence—little more, but *something* more, can be dragged from that relentlessly vacuous score.

There was nothing serious at all to be had from Patrick Gowers's *Stevie Concerto for Guitar:* a confection devised from the film-music to Robert Enders's film *Stevie* (about the poet Stevie Smith), as wallpaper tolerable enough in its sub-Bernsteiny fashion, but as a work to listen to, deadly flat, repetitive, cliche-ridden and shoddily scored. Both performances were dominated by that course, abrasive tone, peppered with squeaks and upper partials, characteristic of the over-amplified classical guitar.

## The Nightingale/Covent Garden

**Clement Crisp**

The handsome Hockney-blue staging of Stravinsky's *Nightingale* at the Opera House offers the bonus, as Max Loppert observed in his notice on Tuesday, of Natalia Makarova and Anthony Dowell in Ashton *choreography* as the eponymous bird and the fisherman. I found the dance entirely apt in its place in the opera, ideally suggestive of the simplicity and magic of the nightingale's song. Dowell frames the action, and acquires an additional identity as an extension of the nightingale's presence, both as necessary *porteur*—how else to convey flight save in the arms of a partner?—and as reinforcement to her innocence. Makarova and Dowell, indeed, seem the expression of "natural" beauty in contrast to the artifice and ritual of the Emperor's court, and their dancing and Ashton's choreography give this quality exceptional dramatic force.

The dance language is lyrically classic with a few orientalisms to set its style, and for Makarova—a great Odette and a dazzling Firebird—explores her ability to curve and stretch her body in bird-like extensions and to seem poised on the edge of flight.

The opera's text is sung in Russian and, intriguingly, Makarova's understanding of the words gives an extra immediacy to her interpretation: each development in the drama brings vivid physical and emotional response. Dowell's brief solos reveal his elegant clarity of manner; Makarova at every moment suggests the unsullied almost child-like purity of the bird's song.

In an art where characters customarily move with less than ideal grace, Makarova and Dowell are rarest treasures.

## Cécile Ousset/Wigmore Hall

**David Murray**

There was a lot of Kleenex-play between pieces in Mlle Ousset's recital on Saturday; perhaps she was *souffrante*, which would explain her over-par score of wrong notes. Otherwise she was her usual shining *virtuoso self, faithful* to her composers while accomplishing extravagant feats at the keyboard—and always in round, beautiful sound. One regretted only the shortness of her programme: she might easily have included all six of Liszt's "Paganini" Studies, not just four.

The four we got came after Mozart's C major Sonata K. 330, which was delivered like a respectful exercise, with all the repeats observed and none enlivened by new imagination. Honest exposition, but a little stiff and unbending; pianists who dare to claim an easier familiarity with Mozart, like Mitsuko Uchida, discover more in such pieces. The Liszt Studies displayed the unfettered Ousset, making brilliant capital of her mastery of Liszt's pianism.

Her best strengths appear, I think, in sustaining strict large-scale sense throughout pieces with virtuoso surfaces; where contrariwise a plain formal plan needs to be spiked with personal fancy, she turns shy. The athletic challenge of the "Paganini" Studies inspired an Olympic-calibre response—vital, resilient, bold, wholly musical.

Ousset again made light of the technical hazards of Ravel's *Miroirs*, not only in the "Alborada" (where in fact her mock-flamenco was as superb as her up-tempo dazzlements) but in the more elusive, equally taxing "Barque sur l'océan." Her "Noctuelles" is still, to my taste, too loudly busy and un-mysterious, but "Oiseaux tristes" and the unworthy "Vallée des cloches" had phosphorescent half-lights like Redon.

She concluded with Saint-Saëns's "Allegro appassionato," a piece which has the sole virtue of being delightful to hear when such a pianist takes it up, and with Debussy's "Feux d'artifice" as encore, enhanced with some tantalising new colours. As usual there were many pianists among her audience: she not only sets exciting standards, but communicates pure physical delight in piano-playing.

## Introducing the young to jazz

The Arts Council has announced a new scheme to introduce youngsters to jazz. Its *Jazz in Education* scheme involves four experimental projects starting this autumn.

Jazz musicians and experts will play and hold workshops in schools in the Manchester area, Kent, Cleveland and at Impington Village College, Cambridge, which is a comprehensive school that doubles as an adult education and community centre.

An Arts Council spokesman said the scheme—which has been set up with the Musicians' Union and regional arts associations—was designed to "make the music more accessible to a wider audience and to help youngsters understand it."



# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

## Music

September 23-29

### LONDON

**Philharmonia Orchestra**, conductor Jacek Kasprzyk, Christopher Warren-Green violin: Mozart, Mendelssohn violin concerto, Tchaikovsky, Ravel. Barbican Hall (Mon) (638 8891).

**London Philharmonic Orchestra**, conductor Klaus Tennstedt, pianist Ivo Pogorelich: Mussorgsky/Rimsky-Korsakov, Tchaikovsky's Piano Concerto No. 1, Strauss. Royal Festival Hall (Tue) (928 3641).

**Allegri String Quartet** with Patrick Ireland, viola: Mozart and Haydn. Elizabeth Hall (Tue) (928 3641).

**South Bank Organ Music**: Carlo Curley playing Bach, Saint-Saëns and Franck. Royal Festival Hall (Wed 5.45) (928 3641).

**Royal Philharmonic Orchestra**, conductor Antal Dorati, Salvatore Accardo violin: Dvorak, Beethoven Violin Concert, Brahms. Royal Festival Hall (Wed) (928 3641).

**Jean-Louis Steuermann**, piano recital: Bach, Schumann, Berg, Scriabin. Elizabeth Hall (Wed) (928 3641).

**Philharmonia Orchestra, Chorus**, Choir of King's College School Wimbledon and Linda Finnie, mezzo-soprano, perform Mahler's Symphony No. 3 conducted by Michael Tilson Thomas. (Thur) (928 3641).

Italian concertos for violin, trumpet and recorder: Elizabeth Hall (Thur) (928 3641).

### PARIS

**Versailles Palace**: English Bach Festival Baroque Orchestra, Singers and Dancers: Rameau's 'Platee' conducted by J.C. Malgoire, in Tom Hawkes baroque production with Belinda Quirey's choreography (Tue). Versailles Royal Opera (Festival Estival (2715700). Gala evening in homage to Rameau 'Le Bal Pare', 'Fetes de Polymnie' (Wed). Gallery of Mirrors. After both concerts there is a visit to the floodlit Royal apartments.

**Mozart's Requiem**: Bernard Thomas Chamber Orchestra with Michel Piquemal's Choir (Tue). St Germain-des-Pres church.

**Orchestre de Paris** conducted by Daniel Barenboim with Martha Argerich, piano: Wagner, Beethoven, Liszt (Thur) Salle Pleyel (5630796).

### WEST GERMANY

**Berlin Philharmonic**: This year's 33rd Berlin Festival runs from Sept 1 to Oct 2. The fourth week of performances opens with the Berlin Philharmonic orchestra conducted by Herbert von Karajan. Soloists are Agnes Baltsa, Vinson Cole and Jose van Dam with Beethoven's 9th symphony (Fri, Sat). A guest appearance with the Moscow Chamber Orchestra conducted by Vladimir Minin and soloists Obrazowa and Nesterenko closes the week (Thurs).

### NEW YORK

**New York Philharmonic** (Avery Fisher Hall): Rafael Kubelik conducting, Andre Watts piano. All-Beethoven programme (Tue). Lincoln Center (874 2424).

**The Guarneri Quartet** (Symphony Space): Ruth Laredo, Paul Sperry, tenor. All Beethoven programme (Thur). 95th & Broadway. (864 5400).

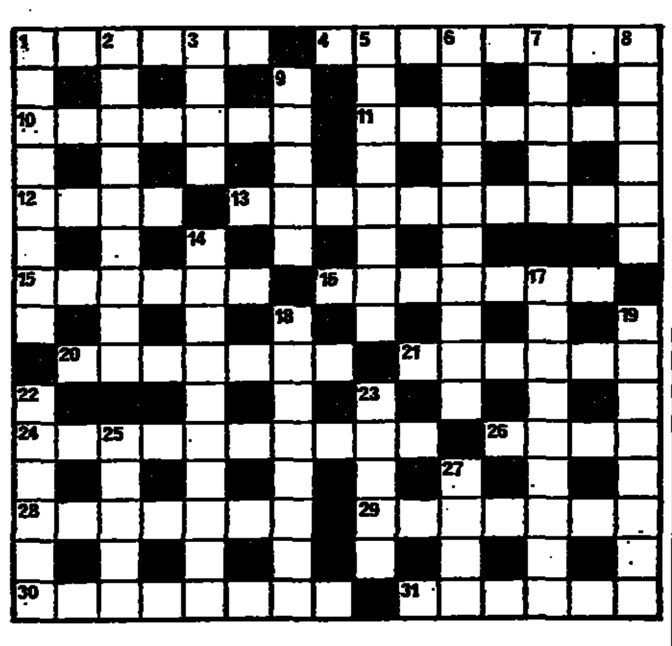
### WASHINGTON

**National Symphony** (Concert Hall): Mstislav Rostropovich conducting. Vivaldi, Haydn, Schumann, Parris, Rimsky/Korsakov (Tue, Wed, Thur). Kennedy Center (254 3776).

### CHICAGO

**Chicago Symphony** (Orchestra Hall): Sir Georg Solti conducting. Copland, Delius, Mahler (Thur) (435 8111).

## F.T. CROSSWORD PUZZLE No. 5,226



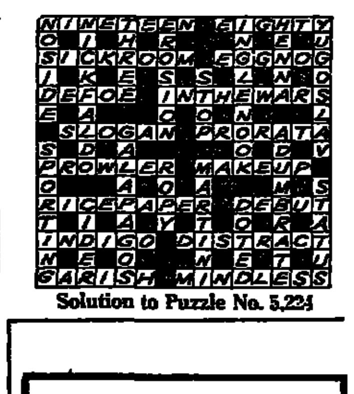
**ACROSS**

1 Great respect shown for silver in the house (6)
4 Exhibit record bowling-spell (8)
10 World maps showing sea-salt distribution (7)
11 With regard to injunction heard by student-nurses? (7)
12 Shoulder-ribbon for the light frame (4)
13 Keeping space-notes and maintaining dignity (4-6)
15 A pitcher on the platform? (6)
16 Prince's disposition to nippers (7)
20 Soldier in uniform? (7)
21 Old kingdom in which it was a crime to revolt (6)
24 Mass observer habitually? (6-4)
26 Very long time, it seems, to be in rummage-sale (4)
28 Coming out of tube, it can be dangerous in the main (7)
29 Selling civic-centre—that is the last of it (7)
30 Supper G. E. Rennie-Turner (8)
31 Applauds informal valediction (6)

**DOWN**

1 Acts like good tea-maker but shows single blemish (8)
2 Revolutionary heavy burden for jolly Deesider (9)
3 Cut free? (4)
5 Undaunted, I printed without restraint (8)
6 I effect neat clearance down the line (3-7)
7 This composer overdid the inner parts (5)
8 House call? Submit calmly (6)
9 Scottish sound of one school song? (5)
14 Shield for family once chute's opened (10)
17 Acknowledge Coe's reign freely (9)
18 Chap with music dictionary under tropical tree (8)
19 Lobbies for divisions of work (8)
22 Old wound from wild sheep cat (6)
23 The French bail and farewell (5)
25 Could be ruing the strip (5)
27 Fashionable cheer-leaders move a little at a time (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.



Solution to Puzzle No. 5,225

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Monday September 26 1983

# A conflict of jurisdiction

TAXMEN the world over tend to suspect multi-national corporations—and not only them—of channelling their profits to tax havens by means of distorted transfer prices; but only the U.S. authorities seem to be undeterred by the difficulty of proving it.

Moreover, the Americans pursue their objectives with a clumsiness which leaves them open to the accusation that they are showing disrespect for the laws of other countries and agreements reached with them. This is well illustrated by the two disputes with friendly countries in which the U.S. is now embroiled: with the UK and other industrial countries of Europe on unitary taxation and, with Switzerland, on the Marc Rich affair.

### Assessing

California and 10 other U.S. states have for some time been assessing companies not only on the basis of profits made in the U.S., but also on a proportion of their world-wide profits corresponding to the assets, payroll and sales located in the state. The increase in the multinational companies' tax bill which resulted from this has been estimated to be about $750m a year. These companies had hoped, until recently, that unitary taxation would be outlawed by the U.S. Supreme Court. The court has now ruled against them, and the only hope for these taxpayers — including more than 60 UK companies — is in persuading President Ronald Reagan to support legislative proposals designed to outlaw unitary taxation. This would be in keeping with the U.S./UK double taxation treaty of 1980 when the UK agreed to a rebate on the advance corporation tax for U.S.-based companies, in exchange for a prohibition of unitary taxation in the U.S. However, this was deleted by the Senate, so that the British concession became one-sided; its withdrawal seems to be the obvious tit-for-tat.

As for the Swiss affair, Mr Mark Rich, a highly successful trader in commodities, is in the unlikely position of a whipping boy, punished by the U.S. authorities because he refuses to disclose enough about his Swiss business, and by the Swiss authoritie because he proposes to disclose too much. The U.S. prosecutor seeks evidence for the allegation of massive tax evasion by means of distorted transfer prices for shipments of oil. The Swiss assert that the U.S. authorities could have all the documents they want within three weeks of making an official request for them, but they are not prepared to wait and to go through Swiss diplomatic and judicial channels. Indeed, it is difficult to understand what all the fuss is about, unless one accepts that the present imbroglio is another attempt by the Americans to escape from the limits of the Treaty of Mutual Assistance in Criminal Matters concluded between the U.S. and Switzerland in 1973.

This Treaty, which has been in force since 1977, specifically excludes Swiss assistance in the prosecution of tax offences, with the exception of those connected with Mafia-type activities. The Swiss claim to have provided assistance in 248 instances since 1977; only two requests for assistance were refused during this period.

Although the secretiveness of Swiss banks still causes annoyance to other countries' tax men and does not escape criticism at home, the Swiss have gradually accepted that they cannot remain isolated in these matters in a world where business, and consequently also its surveillance, becomes rapidly internationalised. By an agreement concluded with their central bank in 1977, Swiss banks undertook, on pain of substantial fines, not to assist foreign clients to evade the tax and exchange rules of their countries. Last January the Swiss adopted a law authorising assistance in foreign criminal investigations when these concern tax evasion involving fraud —thus satisfying the main U.S. objection to the 1973 Treaty. Legislation is now under way to over-rule the Swiss federal court's recent decision excluding insider trading offences from the reach of that Treaty.

If it seems that the Swiss are adjusting to the world-wide interdependence of business much too slowly, one can equally say that the U.S. is pushing its case much too hard and without taking into account other countries' interests and susceptibilities. To create conflicts can only make things worse for everybody. Progress is possible only by agreement.

# NHS: a touch of hysteria

A GREAT deal of nonsense is being talked about Britain's National Health Service. Mr Trevor Clay, general secretary of the Royal College of Nursing, says the service is "in real danger of collapsing." Similar overstatements have come recently from doctors and from Opposition politicians eager to demonstrate the hollowness of Mrs Thatcher's pre-election promise that the NHS is safe with her government.

There are four main points of criticism: The Chancellor's demand for £140m in Health Service economies as part of his mid-summer measures; the Government's publiciation of lower long-term growth assumptions for the NHS, which provide for revenue growth of only 0.5 per cent a year in the next decade; the campaign to privatise ancillary services and finally, the recently announced manpower cuts

It is the last of these which has stirred passions, mainly because some—perhaps 2,5-400—doctors' and nurses' jobs are likely to be included in the cuts. In all, the Government wants a cut of 6,000-8,000 jobs this year, out of a total NHS staff in England of 829,000.

The background to this is as follows. Between 1971 and 1982, NHS staff increased by 25 per cent. It has increased 9 per cent since 1978 and the trend was still upward in the latest set of figures, for 1982.

Contrary to popular fancy, too much of it encouraged by the Government's own rhetoric, the sharpest increases have not been among bureaucrats and cleaners but among the technicians needed to run modern hospitals. Their numbers have risen by 76 per cent since 1971. There have also been very sharp increases in nurses (up 24 per cent) and doctors (up 43 per cent).

Numbers of ancillary workers, the much-maligned trolley pushers, cleaners and cooks, whose low-paid jobs are now threatened by privateisation, have risen by just more than 2 per cent.

It is true that as a result of the Conservatives' misconceived reorganisation of the NHS in 1973, since partially undone, there has been a boom in administrators (up 52 per cent), but the trend has slackened since 1978 and administrative costs in the NHS at under 5 per cent still compare fairly well with those in other countries.

Now, because of national economic circumstances, it is necessary for the first time since the NHS was created to prevent overall costs rising, whilst at the same time continuing strategic policies to switch resources from acute hospitals to underfunded areas like mental handicap and from well off regions, like the south-east, to poorer ones. That means real cuts, especially in London, and uasterity everywhere since demographic factors mean that demand is increasing all the time.

Whether the Government is right to insist that the share of national income going into the NHS should be frozen is one debate, and a fundamental one but having ruled that it should be frozen, the question becomes: how do you stop NHS spending from rising.

In ideal circumstances, the Government would simply tell health authorities to trim budgets and leave them to work out the manpower and service implications.

The trouble is that as the Public Accounts Committee demonstrated three years ago, neither the health authorities nor the Government has accurate figures about their manpower and they certainly lack detailed monitoring processes to assess its effectiveness. Since then the Government has made frantic efforts to improve NHS management information, but the work is incomplete. So, faced with still rising staff levels, the Government concluded that the blunt weapon of compulsory cuts was the only way to check manpower costs.

This, in our view, is reasonable, so long as such blunt weapons do not become a permanent part of the armoury. This would be to centralise management decision-making to a wholly undesirable extent.

The central problem of controlling costs in the NHS since its formation has been to balance the consultants' desire for clinical freedom against the hospital manager's need to get value for money. Establishing an effective mechanism for management decisions at the hospital level should be the central objective of the numerous management reviews now being carried out in the NHS. Who knows, we may even require more administrators?

THE WEST GERMAN ECONOMY

# A hard run to stay still

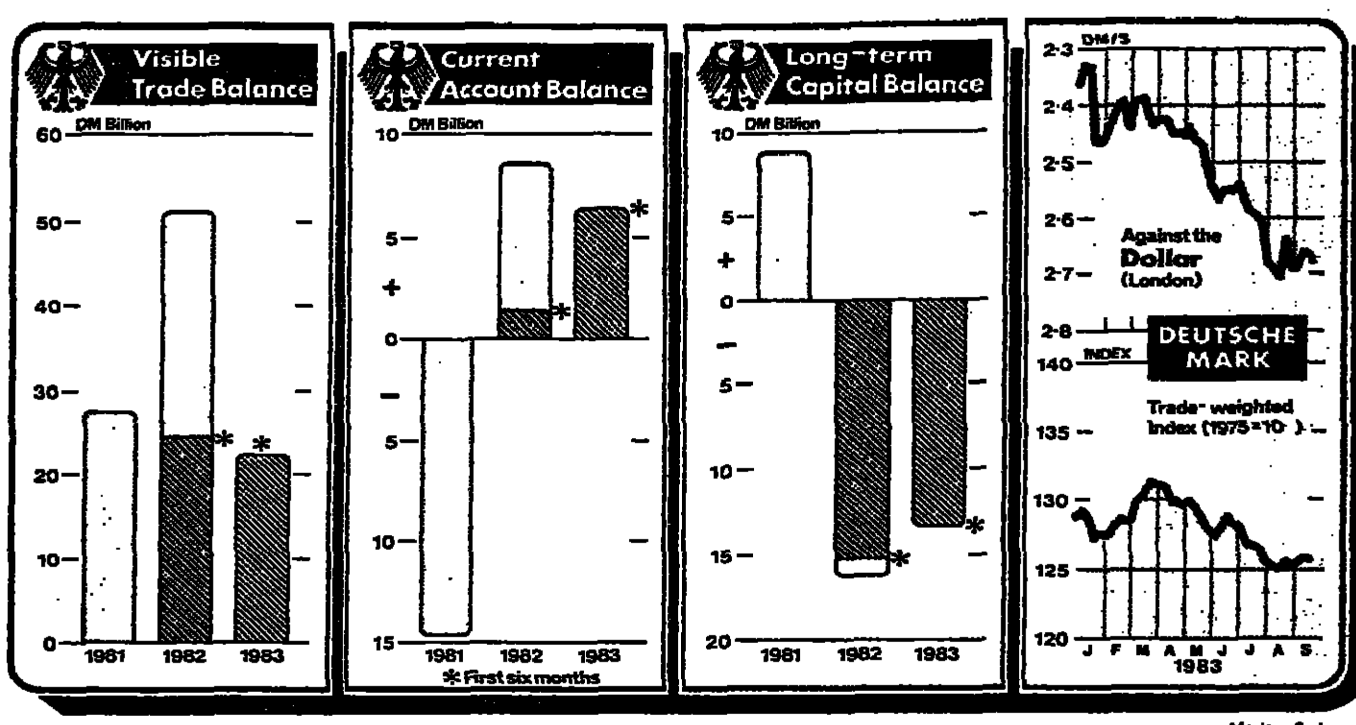
By Jonathan Carr in Bonn

LIKE the gloomy leitmotif of a Wagnerian music drama, the U.S. budget deficit is this autumn casting a pall over West Germany's economic prospects.

Whenever politicians and business leaders gather to talk about German investment, exports and jobs, the deficit and its attendant high interest rates float increasingly into the picture. The deficit, so the argument goes, tends to suck capital out of Germany, depress the D-mark against the dollar, increase the danger of imported inflation and stifle the fragile economic upswing.

The obvious suspicion is that the Germans may simply be using the U.S. as a whipping boy for their own economic failings. Perhaps they are losing their international competitive edge, failing to find the right products for the right markets — and comforting themselves by blaming most of it on Uncle Sam.

The charge cannot be rejected altogether. The big German shipbuilders have rationalised too little too late; the steel companies mull over merger plans as though there is no crisis in the industry and they have all the time in the world. More important, the electronics sector is floundering well behind the American and Japanese competition.




Marion Sadger

That said, this is an unusually bad time to try to argue that the German economy as a whole is slipping down the international league table. According to the so-called economic "fundamentals" — including current account and inflation performance — the Germans are doing better than most partners and rivals. Last year, for example, they increased their share of world exports from 9.5 to 10.5 per cent. There are signs of further gains this year too, although the level of world trade is depressed and West Germany's surplus so far is lower in absolute terms than last year's.

The trouble is that the U.S. budget deficit has itself emerged as a "fundamental." It is one to which Germany is unusually vulnerable — as the country with the world's second reserve currency and with a structure of company financing specially sensitive to a long period of high interest rates.

Germans feel the the battle between the "old" and the "new" fundamentals is one they can hardly win. Like Alice Through the Looking-Glass, by running they simply remain on the same spot. To get anywhere they have to travel twice as fast.

After two years of GNP decline in real terms (allowing for inflation), the economy could expand by about 1 per cent this year. Inflation is down to about 3 per cent, after being well over 5 per cent in 1981 and 1982. The current account, which returned to surplus in 1982 after three years in deficit, could still further in the black this year — perhaps by more than DM 10bn.

Thanks to another round of moderate wage settlements at the start of this year (slightly below the rate of inflation) combined with an improvement in productivity, wage costs per unit of industrial output are rising more slowly than in 1981 or 1982. At the same time the centre-right government of Chancellor Helmut Kohl, which came to office nearly a year ago, has made some progress in cutting public borrowing. The Government's net credit intake this year is likely to be below the DM 41bn forecast (about 2.5 per cent of GNP) and next year should be down to around DM 37bn. Since the Left attacks this cut as being too much and the Right as being too little, the Government has cause to feel it is on the right policy line.

None of that means the German economy is out of the wood. Unemployment will average around 2.3m this year (more than 9 per cent of the dependent labour force and is bound to be more next year, not least for demographic reasons. While the vehicle industry is having something of a boom and chemicals are doing well, the engineering sector is still in the doldrums and steel and shipbuilding are in deep recession.

The crucial point is that, for the first time since the war, this modest economic upswing has been led by home demand, rather than by exports. New orders to industry from domestic customers in the first half year rose by nearly 3 per cent in real terms, while those from abroad dropped by almost 7 per cent. The economic upturn was clearly encouraged by the sharp drop in interest rates starting around spring, 1982, and perhaps by the change of government last autumn.

But what the economy urgently needs now is a further fall in interest rates and a strong boost to exports. It is definitely not getting the former and the latter looks unlikely — both for reasons to do with the U.S. deficit, however far-fetched the connection may seem at first sight.

On September 8 the Bundesbank, the central bank, decided to raise the Lombard rate (the rate at which it will grant advances against securities) by 0.5 per cent to 5.5 per cent. It might seem exaggerated to speak of a historic occasion, the more so since the key discount rate stayed unchanged at 4 per cent. But this was the first increase in either central bank rate for more than two years. Only in March the Bundesbank lowered both rates to help encourage an economic upturn.

> The obvious suspicion is that the Germans may be using the U.S. as a whipping boy for their own economic failings

Part of the reason given for the increase was that the central bank's money supply was spilling over its target for the year and that this could fuel inflation. The other part was that interest rates had been on the rise already so that the Bundesbank was only catching up with them. That is absolutely, and deplorably, true. Money and capital market rates have, with one or two hiccoughs on the way, been following U.S. rates up since the spring. In spite of some official disclaimers from Washington, most German authorities have no doubt that the boost in U.S. rates is closely connected with market fears about the future financing of the American federal deficit.

What does that mean for the Germans? The first point is obvious. The German domestic economy needs higher interest rates like a hole in the head, for the reasons stated. The second point is not so readily apparent. It is no longer enough to look at Germany's current account performance (which is good) and its visible trade surplus (which is moderate). In a world where financial flows dictated by interest rate performance and expectations have become so important, the capital account needs scrutinising, too. For the Germans it is an uncomfortable picture.

Last year West Germany had a net outflow of long-term capital amounting to DM 16.3bn, after a net inflow of DM 8.8bn in 1981. This turnaround partly reflected the change in the country's current account performance. In 1981 the current account was still in deficit and the Germans were partly financing it by capital imports.

The current account went back into the black last year, so it was natural for the Germans to become capital exporters. But it was unnatural for them to become exporters on so big a scale, since the current account surplus was only a modest DM 8.6bn. The biggest single reason for the outflow was that D-mark holders (not only Germans) joyously discovered they could profit from high dollar interest rates. They put almost DM 11bn alone into bonds (mainly dollar bonds) compared with only DM 6bn a year earlier.

This year the net long-term capital outflow in the first half has totalled no less than DM 13.3bn, but there has been a change in its composition. D-mark holders still love foreign bonds and bought DM 3.7bn worth. But they also put DM 3.2bn into foreign (mainly U.S.) shares, compared with only DM 420m in the whole of 1982 and DM 51m in 1981.

The Organisation of Petroleum Exporting Countries (Opec) undoubtedly contributed to this capital outflow from Germany, though it is unclear to what extent. As Opec's big current account surplus gradually dwindled into deficit, so Opec investors have had to liquidate some of their financial investments abroad. Faced with a choice between selling high-interest bearing U.S. dollar investments or lower interest D-mark ones, unsurprisingly they plumped for the latter. This is part of the price the Germans pay for having the world's second reserve currency and for permitting the free movement of capital.

The most obvious effect of the capital outflows is to weaken the D-mark against the dollar, by more than 15 per cent since the start of last year and by more than 10 per cent since the start of this. For Germany's visible trade balance this brings more losses than gains. Relatively few of Germany's exports go to the dollar area (less than 7 per cent to the U.S. itself) so that Germany's sales gain through greater price competitiveness is not marked. On the other hand, Germany has to import virtually all its oil and raw materials, mainly priced in dollars. There is thus a potential danger of growing imported inflation, one of the factors the Bundesbank also had in mind when it put up the Lombard rate.

The less obvious, but more important, point about capital outflows has to do with domestic investment. It would clearly be wrong to suggest that all the finance shifted abroad would have gone to companies and (perhaps) created more jobs if it stayed at home. Many of those who bought dollar shares in the first half of this year would argue that they bought some D-mark shares too, but that the domestic stock market was too puny to fulfil their needs.

Moreover, company profitability in Germany (although improving a bit this year) remains very low. On average enterprises retained only about 4.5 per cent of gross earnings as profit in 1981, compared with around 8 per cent a decade earlier. Mainly for historical reasons, German companies rely on an unusually high level of borrowed funds, and hence are vulnerable to an extended period of high interest rates.

Many Americans would argue that the Germans should do more to give themselves a stock market worthy of the name, and should cut the tax burden on enterprises.

Indeed, the distortion in the present situation is evident, and potentially dangerous. Just as the high, interest-rate induced level of the dollar increases the U.S. trade deficit and encourages American protectionism, so further large outflows of capital could encourage demands for the imposition of controls in West Germany. Such a step would be deeply distasteful to the Government and the Bundesbank, but it is not unthinkable.

Optimists say that eventually the "classical fundamentals" will tell in Germany's favour. With a growing current account surplus in Germany and a record deficit in the U.S., combined with a similarly low inflation rate in both countries, it is argued that the D-mark will strengthen against the dollar. That would allow the Germans more scope to drop interest rates again without encouraging still greater capital exports.

Assuming one accepts this traditional argument, and the economic rules seem to have been bent a lot over the last year or two, the crucial question is how long will the process take. The German economy badly needs the change to come soon if its spring upturn is not to fade away. The ideal, of course, would be for firm action in Washington to cut the budget deficit. But no one in Germany seems to hope for that before the presidential election next year, and not many are confident of a change even after that.

# Men & Matters

## Honorable tries

Europe has been much exercised for the past week over the Japanese incursion into rubber, in the shape of tyres. Wales must now prepare to thwart a Japanese takeover in another commodity—to whit, leather.

On a filthy, rainy Tokyo afternoon yesterday a diminutive Japanese full back a piece of leather — to be precise a rugger ball — over a crossbar from 40 yards, thus propelling an All-Japan B Team to a 19-18 victory over the secnod-best team that the combined touring Oxford and Cambridge universities party could field.

Japan likes its rugby and is very much gearing up for its national team's visit to Wales in a few week's time. As the wildly jubilant behaviour of a sodden crowd illustrated at yesterday's game, there is something special about beating a "name" foreign team.

It is a success that the Japanese have not often enjoyed. Frequent attempts to beat American teams at baseball have met invariably with failure.

Allen Roche, a well-known British rugby coach, now spending a year at university in Tokyo, doubts whether Japan will perform as well as yesterday in his native Wales. Though quick and expert ball handlers their size remains a problem.

More particularly he is appalled by the kamikazi tactics used by Japanese forwards on kick-offs in pursuit of high balls.

He foresees a few sturdy sons of the Welsh pits taking matters into their own hands and elbows: which could mean that leather in the shape of stretchers and surgical strappings might also be in demand.


"Now they want us to fit an Australian keel."

## Cloth of gold

Bob Gill, a New South Wales sheep farmer, must be getting a little blasé about making the 13,000 mile trip from Emu Crete in the Outback to pick up a top international prize for his wool in London. Next month he receives his second Lumb's Golden Bale award at a junket in the Guildhall.

The award was inaugurated by Teddie Lumb, a legendary name in the Huddersfield wool trade, in 1977, for the outstanding Merino wool, which eventually goes into the very best worsted cloth. Gill was the first winner.

Buyers for the Lumb family firm have been visiting the Australian wool auctions for more than a century looking out for the very best. Only six companies in Britain weave cloth from wool of this calibre. Five of them are in the Allied Textiles group in Huddersfield, the sixth is Reid and Taylor at Langholm on the Scottish Borders.

John Packer, managing director of Reid and Taylor is renowned for selling £1,000 suits made from this top quality wool to the Japanese. Modesty is not one of his failings. "They like the best," he says, "and I supply them."

There is an exhibition at Harrods, London, of cloth woven from Gill's Golden Bale yarn.

## Quiet impresario

Abdul Shamji is not a man to seek the spotlight. But the 50-year-old exile from Amin's Uganda is the impresario behind the bright lights at three London theatres — the Garrick, the Duchess, and now the Mermaid.

Shamji has built up an impressive commercial empire since he came to Britain 11 years ago. He runs Gomba, his mini-conglomerate, from Park Lane offices. But he is a man of modest tastes and has never courted publicity for his often spectacular deals.

He has an acquisitive eye for the potential of businesses in trouble and expresses amazement that the previous owners could not make better use of the assets he buys.

He bought Stonefield Vehicles, the four-wheel drive truck maker, from the Receiver in 1981 and is now returning the company to profits with the help of aggressive overseas marketing.

Now his attention is turning to the services sector. Recently he acquired three hotels from the Bass group.

Accustomed to working long hours Shamji does not have a lot of time to make use of the reserved seats at his West End theatres. But the show at the Garrick has become a seemingly permanent London feature when he can manage a night off —"No Sex Please We're British" has been running there for 13 years.

## Mud sticks

The latest advertisement with which the Merseyside Development Corporation is trying to tell us what a good job it is doing shows a pair of mud-caked Wellington boots standing in a veritable quagmire.

The headline is, "To make things happen you've got to get mud on your boots."

Adland could be combed in vain for the creative genius who thought that one up. I can tell you, however, that the copywriter was none other than Michael Heseltine, the Defence Secretary.

He it was who set up the corporation three years ago to reclaim Liverpool's disused dockland when he was Environment Secretary, and appointed J. Bibby's chief executive, Leslie Young, as chairman.

It was Heseltine, also, who then spent the following year hustling Young to get things moving soonest—a task made even more urgent by the Toxteth street riots just up the road from the docks area. Every time the two men met Heseltine boomed forth: "Well, Leslie, when are you going to get some mud on your boots?"

Young eventually retaliated by presenting Heseltine with a privately commissioned sculpture of a muddy boot complete with a plaque engraved with the phrase.

Now, with the advertisement to give the phrase a new lease of life, "Here's mud on your boots" will surely be the toast of the year at Scouseland dinner parties.

## Sailors beware

From an Ohio newspaper: "He passed out of the British military academy at Sandhurst at the age of 22 and was commissioned as a second lieutenant in the Life Guards (the British equivalent of the United States Coast Guard")."

**Observer**

FOREIGN AFFAIRS

# The Soviet Union plays it long

By Ian Davidson

PRESIDENT REAGAN has just authorised new proposals designed to give the U.S. team slightly more leeway in the long-running Euro-missile negotiations in Geneva. He is still calling for equal, global limits on intermediate-range missiles with equal sub-ceilings for missiles in or near Europe. But he is now prepared to extend the talks to cover nuclear-capable aircraft as well. This probably won't lead to an agreement in Geneva, but it may be good for public relations in Europe.

Depending on the small print, the U.S. proposal does not look unreasonable — and that, by now, is almost its only purpose. In nearly two years of negotiating, the Russians have on several occasions given the appearance of flexibility. The trouble is that all their publicised proposals lead essentially to the same result: Moscow would keep all or most of its SS 20 missiles, while the U.S. would be expected to agree not to replace any of its obsolescent nuclear weapons in Europe with modern Pershing II and cruise missiles.

Just over a year ago, the chief U.S. and Soviet negotiators drafted a "private" plan which was not dissimilar to the latest U.S. proposal; but it was almost immediately rejected by Moscow.

Western officials have tended to assume that Mr Yuli Kvitsinski would not have contributed to the drafting of this plan, in the famous "walk in the woods" near Geneva, without some advance authorisation from Moscow. Some of them have hoped that, sooner or later, the Russians would agree to resuscitate it.

Perhaps, one day, they will. But their lack of enthusiasm for the latest American proposal suggests that they do not want an agreement before December, when the European Nato countries are due to start deploying the new missiles. Instead, they have been exploiting the Geneva negotiating process for maximum political advantage, in terms of dismay and division within the Atlantic Alliance, and in this they have been remarkably successful.

It is true that the European members of Nato will *almost* certainly be able to go ahead with the first missile deployments on schedule, in spite of continued deadlock in Geneva. The elections in Germany and Britain have returned governments which are staunchly committed to agreed Nato policy, and Chancellor Helmut Kohl ought to be able to get through next month's planned campaign of protests and demonstrations without too much of a hiccup.

The trouble is that the missile controversy has broken the broad bipartisan consensus on Nato policies which has been such a reassuring feature of German political life for the past 25 years. The Social Democrats in Baden-Wurttemberg have already voted against deployment of the new generation of missiles, and it is possible that the entire SPD party will follow suit at a special congress in November.

If that happens — and some think the odds are so high that the operative word should be "when" — the prospects for a deal in Geneva will get much worse. Hitherto, Western officials have tried to explain away Soviet stone-walling with the argument that the Russians would begin to negotiate seriously only when the Western allies had demonstrated that they would go ahead with deployment, in spite of threats from Moscow and protests from the anti-nuclear movements. It is no longer fashionable to suppose that the first deployments will elicit an immediate response from the Russians: but within three to six months, perhaps after a break in the negotiating process, they would be ready to talk turkey.

Well, perhaps; but this sounds suspiciously like a man whistling in the dark. Deployment of the new Pershing and cruise missiles will not happen all at once, or even very quickly: it will be spread over five years. If the SPD in Germany votes against deployment (and perhaps even if it does not), the Russians will have every incentive for dragging out negotiations as long as possible, so as to keep stirring the political pot. Even though the Kohl Government may manage to deploy the first missiles on schedule, Moscow can still hope that continued political agitation will one day succeed in bringing the process to a halt —or at least heighten uncertainty over the policy of some future German government.

Chancellor Helmut Kohl and Mrs Margaret Thatcher: both are staunchly committed to Nato policy

No-one would argue that the number 572 (464 cruise missiles and 108 Pershing IIs) has anything magical about it. But the political fact of a halt in deployment, and the quarrels which would lead up to such a halt, would be very divisive for the alliance, a prize Moscow must think worth working for.

From this perspective, the Geneva process, at least until now, may be regarded more as a political public relations exercise than as a negotiation proper. The Russians want to sow the maximum discord between America and its European allies, especially Germany; the U.S. tries to demonstrate the maximum flexibility, so as to prove to its European critics that the Russians are to blame for the lack of an agreement. There are no doubt hard-liners in the U.S. Administration who have little taste for arms control and would positively prefer deployment of modern missiles; but the overwhelming argument in favour of an arms deal on these intermediate-range Euro-missiles is that it would heal a political sore in the alliance which promises to fester for months, if not years, to come.

With its latest proposals, the U.S. has virtually shot its last bolt in the propaganda war, but there is still one more parallel gesture to come. When Nato took its negotiate-or-deploy decision in 1979, it also announced that 1,000 of the 7,000-odd U.S. nuclear warheads stockpiled in Europe would be withdrawn. Since then, the experts have been considering whether a further unilateral withdrawal—of warheads that are obsolete or superfluous—is possible. Earlier this year, in a study published by the Rand Corporation, a British Defence Ministry official suggested that a further cut of 1,000-2,000 warheads was feasible. Final decisions have yet to be taken, but when they are announced at the end of next month, it is a fair bet that Nato will give them maximum publicity.

The clever part about Moscow's propaganda is that it has dragged the British and French nuclear forces much closer to the centre of the arms control controversy than ever before. As it stands, the Russian proposal to equate a certain number of SS 20s with the 162 British and French missiles is absurd: not because Mrs Thatcher and President Mitterrand say so, nor even because they are different in kind from the Soviet missiles, but because the Americans won't agree to a deal designed to exclude U.S. weapons from Europe. Nevertheless, the Russians have effectively drawn attention to the British and French forces, to the point where a growing number of people, in Britain and abroad, is beginning to wonder whether Britain and France may not, at some stage, have to make a contribution to the arms control process.

The Dutch Parliament recently passed a resolution urging that they be included in either the intermediate-range or the stategic nuclear weapons talks in Geneva, and analogous thoughts are being expressed more discreetly in Germany, Norway and even Washington.

Traditionally, both governments have sheltered behind the arguments that their nuclear forces are negligible compared with those of the super-powers, and could not be reduced without making them ineffective. But when Britain acquires the new Trident system and France expands and modernises its submarine fleet, these forces will look much less negligible.

If by any chance the Russians were to show serious interest in U.S. proposals for a substantial cut in strategic ballistic missiles, it would be difficult for Britain and France to pretend that they need not get involved. In theory, Britain could find itself with eight times as many independently-targetable warheads as it has now, which would be more than 10 per cent of the 5,000-warhead ceiling being proposed by the U.S. France could have a similar capability.

So far, the British Government has expressed only grudging recognition that there may be a problem. In July Mr Michael Heseltine, the Defence Secretary, said that, if there were to be a substantial breakthrough in the U.S.-Soviet *strategic* nuclear arms talks, "that would obviously be taken into account by a British Government in deciding its own irreducible minimum deterrent." He refused to be drawn on *how* it would be taken into account, and clearly implied that the Government did not need to be more specific until the super-powers make their breakthrough. But it is possible, especially since the Dutch vote, the the Government is beginning to show more interest in the question.

Obviously, the British and French forces could not simply be counted in as part of the Western totals, even if their governments were prepared for such a thing. That would require the U.S. to accept substantial inequality with the Soviet Union, and would have no chance of getting through Congress. If Britain and France were to make a positive contribution to arms control, it might have to be by unilateral statements setting verifiable ceilings on the numbers of warheads or missiles deployed.

No doubt Mrs Thatcher would prefer to shelve any such idea until there is a breakthrough in Geneva. But in the propaganda war, there is a clear case for being more forthcoming in advance of that; it would undermine the Russian ploy on Euro-missiles, and—who knows? —it might actually make a breakthrough on strategic weapons marginally more possible.

## Lombard

# How to pick good losers

By Samuel Brittan

THE TITLE of this article might suggest a peculiarly British speciality — backing losers under the guise of a dynamic "industrial strategy." But most governments engage in this practice and there is a vociferous American lobby for greater U.S. indulgence.

Industrial intervention appeals to the Left because it is intervention and to the Right because it is aid for industry. It also enjoys, unfortunately, the support of miseducated economists who suppose that they have only to diagnose a departure from so-called "perfect competition" to believe that they have a carte blanche for any fashionable subsidy or control.

A new Hobart Paper by Mr John Burton does a good job of disposing of the latter myth. The role of markets is to cope with uncertainty, perfect competition being quite impossible in a world of change and uncertainty—features which do not disappear with the magic wand of intervention.

The novelty of Mr Burton's treatment is his emphasis on losses and enterprise collapse as vital to the natural selection processes of a dynamic economy. Temporary losses act as a warning and do not spell bankruptcy. For finance is available to companies with cash flow problems provided "lenders can be assured that there are reasonable prospects of a return to profitability." The winding up of a business does not mean the physical destruction of its assets. What is involved is a downward revaluation and change to a new owner, who may well keep parts together, as did the buyer of the package holiday end of Laker from the official receiver.

Intervention is of two broad types, helping losers ("sunset industries") and picking winners. There may be a stronger theoretical case than Mr Burton allows for temporary assistance on a declining scale to give a breathing space to sunset industries, but he is surely right that in practice such assistance usually postpones adjustment and increases rather than declines. Financial assistance to individuals, whether for redundancy or retraining, is better than aid for failing enterprises.

The author is at his best in his demolition of the "picking a winner" strategy preferred by a Conservative Government (although sunset industries still account for two-thirds of what is spent). There is no known science of company doctoring which will turn losers into winners. Politicians and bureaucrats do not have the same personal incentives as a market entrepreneur; nor are they likely to have his specialist knowledge. An entrepreneur called into Whitehall or to run a state industry or aid scheme becomes transmogrified into a bureaucrat, without either the personal knowledge or performance incentives he had on his home ground.

As if to confirm the Burton thesis, the chairman of the Industrial Development Advisory Board has just endorsed once more "selective financial assistance" to industry "in encouraging the latest techniques and equipment without which competitiveness is bound to suffer." This is an example of the naive empiricism, which cannot see the economy as an inter-related system; in which wages, other costs, prices and exchange rates would all be different without state intervention.

Yet, at the end of the day, I was a little disappointed in the Burton Paper. It would make an excellent introduction to a detailed study of British industrial intervention. But that study is lacking; and there is still no comprehensive account of industrial policy analogous to the macroeconomic analysis we now have to excess. To start with we should have a single table missing—in the Department of Industry's annual report—putting together the various kinds of assistance. Interest rate subsidies, guarantees, outright grants and even quota protection need to be put as far as possible on a comparable basis instead of being treated like apples and oranges.

It is also necessary to face the fact that the main reasons (valid or not) for the overwhelming pressure for industrial aid have been recession and rising unemployment. If industrial policy had been better over several decades so would have been the macro-economic environment; but we still need some analysis of the least harmful way of facing recession pressures.

*Picking Losers, Institute of Economic Affairs, £2.00.*

# Letters to the Editor

## N. Sea oil revenues and manufacturing's decline

*From Mr J. Robinson*

Sir,—Mr Grantham writes (September 21) that, had the Government allowed the country to use its North Sea oil revenues to support higher consumption levels, the decline in the UK's manufacturing sector could have been avoided.

This seems highly unlikely. Consider the impact of the gradual build-up of oil revenues from the mid-1970s. Had all of the revenues been channelled into consumption by some means or another, the demand for all types of goods and services would have begun to rise; both those which could be traded internationally (a group in which manufacturing predominates) and those which could not. The mid-1970s saw some unemployment so, provided that the combination of wages and prices made employment worthwhile, the domestic economy could have increased its production both of tradeables and also of non-tradeables to match the increased demand. The oil, however, would eventually have supported a level of domestic demand for (non-oil) tradeables and non-tradeables which was greater than the economy's capacity to produce them—which is why the oil presented a benefit in the first place. Once this stage had been reached the UK could satisfy further increases in consumption demand only by diverting its resources towards domestic production of non-tradeables, demand for which could only be satisfied from home production, and by satisfying a growing proportion of the rising demand for tradeables by means of increasing imports. In short, the use of the oil to finance consumption might have allowed all sectors of the economy to expand until full employment had been reached but as the oil revenues continued to rise further the UK's manufacturing sector would then have had to decline.

Of course many other factors have influenced the course of the economy but it is interesting to note that in first few years of increasing oil revenues UK manufacturing production did enjoy an expansion; it was only later, when the value of the revenues had become larger, that manufacturing began to decline relatively to the rest of the economy.

J. N. Robinson.
*14A, South Hill Park Gardens, NW3.*

## Changing sons of Japan

*From Opal Dunn*

Sir,—Your mention of repatriated Japanese children in "Education race under review" (Japan Survey, September 19) presented only one side of this remarkable injection of bilingual children into the Japanese education system.

Although these Japanese children, like all repatriated children, face difficulties, these are considerably less than in 1977 when I began to work with them and their families in Japan. Japanese society has begun to value returning children's bilingual skills and their ability to organise themselves in another culture and society—a typical attribute of most young language learners.

As stated, the Ministry of Education has set up special schools for returning children, but many children also enter existing public and private schools, not only in Tokyo, but in other large cities. The extent to which these children and their families, who are familiar with other educational systems, will bring about change cannot yet be accurately assessed.

Since, however, at present an estimated 40,000 Japanese children of compulsory school age (6-16) are living with their parents working abroad and many more under the age of 6 are attending nursery or infant schools all over the world and about 4,000 of these children return each year, their impact should not go unnoticed. People working with these children in Japan have already become aware that, for example, their maturity and more individual and creative ways learned abroad are becoming increasingly valued and respected.

There is good ground for believing that these children as adults will be a new and different generation whose experience abroad at an early age may make a significant contribution to better understanding between Japan and other nations.

Opal Dunn.
*23 St Peter's Street, Islington, N1.*

## CBI and the environment

*From the Chairman, World Wildlife Fund (UK)*

Sir,—John Lloyd's report (September 22) on the conclusions reached by the Confederation of British Industry's council on environmental issues is, I believe, at odds with what the CBI and its members have decided.

Having attended the council meeting and taken part in the discussion of the environmental committee's proposals it is quite clear to me that the CBI has not taken any decisions to "go on the attack against environmentalists." On the contrary, the council approved proposals which encouraged the CBI membership to do what progressive companies already do, namely to adopt a positive rather than a defensive or negative attitude to environmental matters and, where possible, to treat inevitable problems of wealth creation as opportunities to improve efficiencies and to develop cleaner processes and systems which can be sold in the world's markets.

The CBI council also approved a proposal that closer links should be developed with those conservation organisations which embrace the view that successful wealth creation and wise conservation policies need to be harnessed together if sustainable development for human needs is to be achieved.

(Sir) Arthur Norman.
*De La Rue House, 3-5 Burlington Gardens, W1.*

## Support for the SDP

*From Mr D. Sainsbury*

Sir,—Your article of September 25 on the funding of the Alliance implied that I had decided to reduce my support for the SDP. Like many people I increased my contribution to the SDP in the run-up to the General Election, but this in no way implies that I support it less now. Can I also point out that the SDP was able to fight an effective General Election campaign because very many people gave generously to its funds.

David Sainsbury.
*Stamford House, Stamford Street, SE1.*

## Change on the shop floor

*From Mr G. Hallett*

Sir,—Does not the case of Dunlop, which recently assured its trade union leaders that any change in the status of the company would be discussed with them, illustrate the need for "Vredeling and the fifth directive"?

Graham Hallett.
*University College, P.O. Box 78, Cardiff.*

## Exchange controls

*From Mr N. Lewis*

Sir,—I cannot let Jack Straw's misconceived and unjustified tirade (September 14) against freedom of exchange pass without comment.

His economic case appears to be that for given levels of economic activity and interest rates in the UK, exchange controls would lead to a higher level of the pound. (This is not necessarily so but let us assume it is correct.) The question is, why should Mr Straw consider this desirable when, as he admits, the pound remains severely over-valued against the currencies of our non-U.S. competitors? The answer can only be that he proposes the adoption of economic policies so inflationary that the pound would not only fall substantially to a reasonable value, but threaten to collapse further unless a siege economy based on draconian import and exchange controls were adopted.

I think most people would neither regard the introduction of such policies as beneficial to the real economy nor regret any small deterrent to them that exchange freedom might pose.

There is no reason either to believe Mr Straw's assertion that exchange controls would keep the pound more stable. On the contrary, profitable speculation in foreign currencies by UK residents is usually a stabilising influence.

Exchange controls far from benefiting the real economy almost certainly damaged it. Administrative and compliance costs were considerable but more importantly investment decisions were distorted and hence sub-optimal.

Moreover, Mr Straw ignores the harm UK exchange controls do to people in other countries. Like import controls, they are a beggar-my-neighbour policy, and should be resisted as a matter of principle.

Mr Straw maintains that those who still support the continued abolition of controls must show their abolition has benefited the British real economy. This "guilty until proved innocent" approach to individual freedom is quite contrary to the liberal British tradition and smacks of totalitarianism.

I urge people to fight against any attempt to take away their recently regained freedom to invest worldwide. The fact that the citizens of relatively few countries enjoy this liberty merely serves to remind us that, sadly, most countries are less free than our own.

Nicholas Lewis.
*24, Trigon Road, SW8.*

FINANCIAL TIMES
Monday September 26 1983



Gordon Cramb on Wall Street

# Railways on track for growth

SMALLER investors in St Paul, Minnesota, were able to watch last week as shares in Burlington Northern, the railway which has operated out of there for more than 100 years, reached their own century at a peak $101½, before closing at $100¼ on Friday.

They may not be blamed for wondering why the word that drifted in from Wall Street was that Burlington and many other rail stocks should still have a comfortable ascent ahead.

Underpinning its gain from a low of $34⅛ last year have been market expectations that earnings at Burlington – now the largest rail network in the U.S. – will emerge next year at as much as three times as in 1982. Its already extensive energy interests are to be enhanced further by the absorption on favourable terms of El Paso, the Houston-based pipeline and chemical concern with which it reached definitive accord a week ago.

While Burlington is seen as being on the strongest upward trajectory and a few others such as Norfolk and Southern and Union Pacific are expected to have an earnings dip interposed this year, the industry's revival is undisputed.

The key lies partly in cost control, on which the companies are getting a better grip; partly in a stabilising rate structure for the freight traffic which provides their sustenance; partly in well-chosen mergers which avoid earnings dilution; and above all in the track record of their revenues in following the gradients of the U.S. economy as a whole.

With flash gross national product figures last week suggesting that the upward course could be sustained, cyclical sectors such as this are unlikely to be abandoned too readily.

Nor is there much of a lag factor involved: as soon as the economy gets moving and inventories diminish, somebody needs to be there to move the goods. Burlington Northern is drawing the benefit both of healthy traffic in commodities and finished goods and from the El Paso consolidation.

The strategy of the railway's board, which since February has held 48 per cent of El Paso and controlled an effective majority of board positions there, was shrewd. It included a decision in May to halve El Paso's dividend, as Burlington had no real need for the cash flow and preferred to see El Paso unburden itself of some of its debt.

This may have distressed El Paso's other shareholders, but it ensured Burlington of a better deal when the time came to buy up this remainder.

For this year, analysts' earnings expectations for Burlington show a consensus at upwards of $9 a share – double the 1982 outcome of $4.55 – while for 1984 the estimates range from a general view of $11 to as high as $15. The company showed first-half net income of $4.16 a share, compared with $2.50 a year earlier.

The Virginia-based Norfolk and Southern, with more ground than most to make up in terms of a revival in its share price, is among the securities house analysts' current favourites. This is particularly true now that the coal shipments which account for more than 40 per cent of its traffic appear to have bottomed out.

The eastern coal-hauling railroads have so far been showing less of a pick-up in traffic than their western counterparts which carry a wider spread of industrial custom. But an expected increase in merchandise traffic during the current half-year should contribute to Norfolk's 1984 showing.

For the first six months Norfolk turned in net earnings of $1.19 a share, down from the $2.21 amalgam in the prior period, which came before the merger of its two components.

Its performance for 1983 as a whole is expected on Wall Street to emerge at least a dollar below last year's $6.57 a share, although a 1984 upturn should take it beyond that level and possibly to $7. The shares closed at $67⅞ on Friday against a 1982 low of $40½.

CSX, the analysts' other current choice, also has coal as its principal on-board commodity. With stockpiles in industry and the major regional utilities now running down, it too is regarded as set for an earnings break-out.

The company, planning a three-for-one stock split and undertaking a $1bn purchase of Texas Gas Resources, is seen as moving upward from adjusted earnings of $1.64 last year to around $2.50 this year and as high as in 1984.

Also allowing for the split, its reported six-month figures would be just 46 cents against the previous 94 cents, with the 1982 result including a non-recurring 20 cents. Even so, the resurgence under way in the current half is dynamic.

GREECE URGED TO AGREE TOUGHER LINE ON SOVIET POLICIES

# EEC row threatens UN speech

BY JOHN WYLES IN BRUSSELS

SHARP disagreement between Greece and its EEC partners could prevent Mr Yannis Charalambopoulos, the Greek Foreign Minister and president of the Community's Council of Ministers, from delivering the annual foreign policy speech on behalf of the Ten to the UN General Assembly tomorrow.

Officials from the Ten's Foreign Ministries will make a final effort in New York today to agree on the text of the speech, normally delivered by the EEC presidency every September.

However, if Greece again refuses to be party to passages criticising Soviet policies, then other delegations say they will insist that Mr Charalambopoulos speaks only for Greece tomorrow. That would be another public and very damaging blow against Greece's handling of EEC political co-operation. Mr Charalambopoulos recently refused to allow the Ten to issue a joint condemnation of the Soviet destruction of the South Korean airliner. Now several Foreign Ministers, led by West Germany's Herr Hans Dietrich Genscher, are determined not to be associated with another limp foreign policy declaration on East-West issues.

Since the airliner row, diplomats say that Greece and its partners have made deliberate efforts to lower the temperature of their foreign policy debates.

But the main political and economic sections of the Greek draft of the UN speech have been found wanting by most other delegations. The political section is said to lack clear re-affirmation of EEC positions on Poland and the Soviet invasion of Afghanistan. A passage regretting the non-appearance of Mr Andrei Gromyko, the Soviet Foreign Minister, at this week's UN General Assembly, is said to have sounded as though it was blaming the U.S.

The contents of the speech's economics section were agreed with great difficulty in Brussels last week. Diplomats say the Greek draft was full of "contentious statements" on North-South issues.

There have been other, more commonplace recent differences between Greece and its partners. They are being played down by Brussels officials, however, for fear that a major deterioration in relations could damage current negotiations on EEC reform and refinancing.

German diplomats firmly deny Greek press reports that Bonn is out to "punish" Athens for its conduct of political co-operation, by blocking progress on EEC policies of interest to Greece. They say Herr Genscher's astringent criticism is limited only to Mr Charalambopoulos and so foreign policy issues. The German presidency as a whole, say German officials, is doing a very good job in organising the key negotiations of the so-called Stuttgart mandate.

Some other delegations are less charitable. The Athens summit in December is supposed to reach crucial accords on agricultural economics and new Community financing.

"But there is a growing irritation with the whole of the Greek presidency as it is run, and nobody expects this negotiation to finish in December," said one official.

EEC Ministers give priority to technology, Page 2

# Three-nation talks bring new agile fighter a step nearer

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON

THE British, French and West German air forces are to try to harmonise their requirements for a new agile fighter – holding out the long-term possibility that they could collaborate to produce such an aircraft.

The new move could be of immense political, military and industrial significance.

The decision to work together at the highest level came at a key meeting in Paris last week between the defence ministers of the three countries, the first of its kind since 1979.

Mr Michael Heseltine, M Charles Hernu and Dr Manfred Wörner agreed that their air staffs should jointly produce what is known as an air staff target for a new agile combat aircraft, by the end of this year.

They also agreed that the organisations responsible in each country for buying major military equipment should examine the problems involved.

Their aerospace industries have had informal consultations, but apparently do not expect to be asked by ministers to discuss collaboration in more detail yet.

That may come, depending on progress over the next few months, when the three ministers meet again next May.

A French official said such a collaboration could put Europe in a "virtually invincible" position in future European markets, and greatly strengthen Europe's position against U.S. competition.

Ministers and officials, however, recognise the huge problems, involving different national military requirements, political and industrial rivalries, and timing.

British plans to build a new fighter are the furthest advanced. That is partly because British Aerospace (BAe) and other key companies involved in producing the Tornado fighter-bomber are keen to have a new fighter project, as production of Tornado declines over the next few years.

The British Government, under strong pressure from the aerospace industry – which has invested £30m ($45m) – has agreed to contribute £70m to an experimental aircraft (EAP) project which aims to produce one twin-engined supersonic demonstrator aircraft.

BAe and the seven other companies involved hope the programme will lead to a full Government commitment to a new agile combat aircraft (ACA), designed for service in the early 1990s.

BAe has been working closely with its German and Italian Tornado partners Messerschmitt-Bolkow-Blöhm and Aeritalia – in the hope that, with their Governments, they will back the EAP, and ultimately an ACA.

However, BAe so far has no commitment from the Italians and Germans. That is partly because they are being wooed by Dassault-Breguet, which is working on a French experimental fighter, the Avion de Combat experimental or ACX.

The ACX and EAP seem to be running neck-and-neck, with each planning its demonstrator aircraft for 1986-87. BAe, however, in order to plug the gaps in the production lines left by Tornado, would like an in-service date of 1992 for the new aircraft. The French and Germans' comparable date is 1995.

A further problem is that while the French and British air forces want the new aircraft to have a combined air superiority and ground attack role, West Germany emphasises only air superiority.

BAe makes no secret of preferring to work with the Italian and German industries, rather than the French. It fears conflicts with Dassault-Breguet over design leadership, and that in return for Britain providing the RB 199 engine, France could expect to build the airframe.

On the Tornado project, 809 aircraft have been ordered by the three air forces.

# BMW to launch new motorcycle

By Alan Wraight in London

BMW, the West German group, has introduced a new range of motorcycles, the K100 series, aimed at lifting production from its present level of 30,000 a year to 45,000 by 1986. Development costs will total DM 500m ($187m). BMW is Europe's largest producer of motorcycles above 500cc.

Some DM 250m has already been spent and the remainder will follow within the next three years. Dr Eberhardt Sarfert, chairman of the motorcycle division, said this outlay would be recouped within four years.

As the division is based in West Berlin, 75 per cent of capital expenditure could be written off in the first year against tax on profits made by BMW's car division, he pointed out.

The motorcycle division has been making losses, but Dr Sarfert says that once sales reach 32,000 units a year profits will resume.

Herr Karl Gerlinger, managing director in charge of marketing, said the new 1000cc four-cylinder machines would supplement BMW's existing range, which uses flat twin engines whose basic configuration has not changed in 60 years. Some 8,000 K100's would be built this year, with 22,000 next year, rising to 30,000 by 1988. Total bike production, including flat-twins, would reach 32,000 for 1983.

When the K100 project was started in 1978 the company forecast an increase in motorcycle production to 60,000 a year by the mid-1980s. In the light of present poor market conditions, however, this estimate has been downgraded.

The West Berlin factory will nevertheless have the capacity to meet the original target by 1988, apart from the paint shop which to produce more than 45,000 units a year would require an investment of DM 40m on top of that already committed.

Dr Helmut Kohl

# Setback for Kohl's party in Hesse poll

Continued from Page 1

short of a parliamentary majority and has no obvious coalition partner. The government deadlock in Hesse may thus continue, with the SPD continuing to act in a caretaker capacity.

While the CDU is deeply disappointed with the Hesse result, it is felt likely that local campaign errors were as much to blame as voter dissatisfaction with national government policy.

The CDU candidate in Hesse, Herr Walter Wallmann, constantly made clear that he thought a vote for the FDP was as good as a vote for him. Evidently many former CDU supporters took this literally.

In another state parliament election held yesterday in Bremen, the CDU actually picked up support a little, from 31.9 per cent four years ago to 32.5 per cent now.

Like Hesse, Bremen has long been an SPD stronghold. But it was still a surprise that the SPD this time could increase its previous support from just under 50 per cent to nearly 52 per cent.

The Social Democrats performed the feat despite serious problems in the local steel and shipbuilding industries, and an unemployment rate in Bremen of around 14 per cent.

In contrast to their success in Hesse, the FDP in Bremen slumped under 5 per cent and will have no parliamentary seats. As before, the ecologists' party, the Greens, gained more than 5 per cent of the vote in both states.

# Ford workers vote for cut in wages

BY TERRY DODSWORTH IN NEW YORK

WORKERS at Ford's Rouge car manufacturing complex at Dearborn, near Detroit, have surrendered to management pressure to cut wages and benefits in the steelmaking unit following threats to close the plant.

In a majority vote of almost 2 to 1, the workforce accepted cuts amounting to $4.13 in hourly labour costs, which are currently running at around $28 an hour in the steelmaking facility. A significant proportion of this reduction will come from eliminating paid holidays, but the settlement, due to run to July 1986 also reduces incentive payments by 20 per cent and will cut previously agreed cost of living adjustments.

The deal was reached only after months of wrangling over the future of the steelmaking plant, one of four in the Dearborn complex built by Henry Ford just over 60 years ago as an integrated manufacturing unit. Wages of the 4,000 steelworkers were reckoned to be the highest in the U.S. steelmaking industry, and were also about $5 an hour more than the rates paid to other Ford workers at Dearborn.

On cost grounds, Ford has steadily run down the amount of steel it commissions from the Rouge facility. Earlier this year it had lengthy talks with Nippon Kokan, the Japanese steelmaker, on the sale of a majority stake in the plant, but these came to nothing after the Japanese were unable to achieve concessions on wage reductions.

Only 9,000 of the Rouge complex's 14,000 workers voted on the wage cutting plan, but the verdict will be seen as a substantial victory for the company, which has shown itself willing to close uneconomic U.S. component facilities over the last two years. Ford may also have been helped in the voting because it was prepared to play off the steelworkers against the other 10,000 lower paid employees at Dearborn.

The cost-cutting plan comes at a time when workers in many of the U.S.'s older and heavily unionised industries are agreeing to wage and benefit concessions. In steelmaking, for example, which has been the earnings leader since the last war, workers have accepted a significant reduction in their latest three-year agreement, while several other industries have negotiated zero nominal wage awards over the period of the next three year contract.

Other hard-pressed industries, such as the airlines and trucking, have also pushed through concessions, sometimes in return for profit-sharing agreements.

In the motor industry, the main concessions have been made at Chrysler, where the Auto Workers Union agreed to substantial pay cuts to help the company through its financial crisis three years ago.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 24 | 75 | Dubrovnik | F | 22 | 72 | Malaga | S | 26 | 79 | Salzburg | F | 17 | 63 |
| Akrotiri | F | 27 | 81 | Faro | S | 28 | 82 | Malta | S | 29 | 84 | Seoul | S | 27 | 81 |
| Algiers | S | 28 | 82 | Florence | C | 21 | 70 | Manila | C | 33 | 91 | Singapore | S | 32 | 90 |
| Amsterdam | S | 16 | 61 | Frankfurt | S | 16 | 61 | Miami | C | 28 | 82 | Stockholm | C | 8 | 46 |
| Athens | S | 22 | 72 | Funchal | S | 24 | 75 | Milan | S | 27 | 81 | Strasbourg | S | 19 | 66 |
| Bahrain | S | 36 | 97 | Geneva | S | 24 | 75 | Moscow | C | 14 | 57 | Sydney | F | 17 | 63 |
| Bangkok | C | 30 | 86 | Gibraltar | S | 25 | 77 | Munich | S | 16 | 61 | Taipei | R | 31 | 88 |
| Barcelona | S | 27 | 81 | Guernsey | C | 16 | 61 | Nairobi | F | 27 | 81 | Tangier | S | 35 | 95 |
| Beirut | S | 28 | 82 | Helsinki | C | 8 | 46 | Naples | S | 24 | 75 | Tehran | — | — | — |
| Belgrade | H | 17 | 63 | H. Kong | S | 31 | 88 | New Delhi | S | 32 | 89 | Tel Aviv | S | 29 | 84 |
| Berlin | S | 16 | 61 | Innsbruck | C | 17 | 63 | New York | F | 20 | 68 | Tenerife | S | 31 | 88 |
| Biarritz | S | 29 | 84 | Inverness | S | 14 | 57 | Nice | S | 25 | 77 | Tokyo | C | 23 | 73 |
| Blackpool | C | 14 | 57 | Istanbul | S | 21 | 70 | Oporto | S | 25 | 77 | Toronto | C | 16 | 61 |
| Bordeaux | S | 29 | 84 | Jersey | C | 17 | 63 | Oslo | C | 9 | 48 | Tunis | S | 28 | 82 |
| Brussels | S | 15 | 59 | Jo'burg | S | 24 | 75 | Paris | F | 17 | 63 | Valencia | C | 28 | 82 |
| Budapest | F | 17 | 63 | Las Palmas | F | 32 | 90 | Prague | S | 15 | 59 | Venice | S | 23 | 73 |
| B. Aires | F | 20 | 68 | Lima | S | 21 | 70 | Reykjavik | S | 8 | 46 | Vienna | F | 14 | 57 |
| Cairo | S | 29 | 84 | Lisbon | S | 26 | 79 | Rio de J'o | C | 26 | 79 | Warsaw | R | 10 | 50 |
| Cape Town | S | 24 | 75 | Locarno | S | 27 | 81 | Rome | S | 24 | 75 | Zurich | F | 20 | 68 |
| Caracas | C | 29 | 84 | London | S | 18 | 64 | | | | | | | | |
| Casablanca | S | 29 | 84 | Los Angeles | C | 29 | 83 | | | | | | | | |
| Copenhagen | S | 15 | 59 | Luxembourg | S | 16 | 61 | | | | | | | | |
| Corfu | S | 25 | 77 | Madrid | S | 32 | 90 | | | | | | | | |
| Dublin | C | 18 | 64 | Majorca | S | 29 | 84 | | | | | | | | |

*Readings at mid-day yesterday.*

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

# Government in move to stabilise HK$

Continued from Page 1

The key institutions in Hong Kong's present monetary system are the government's Exchange Fund, and the two banks – Hongkong and Shanghai Banking Corporation, and the Chartered Bank – which are licensed to issue banknotes. When one of these banks wishes to issue Hong Kong dollar notes, it does so against certificates of indebtedness which are bought from the Exchange Fund, and paid for by an equivalent transfer of funds into the account which the Exchange Fund holds with the bank. Hong Kong has no central bank.

The Exchange Fund contains Hong Kong dollar and foreign currency elements, held with banks both in Hong Kong and abroad. Its size and transactions are secret. At present, it acts to smooth fluctuations in the Hong Kong dollar by buying and selling in the market. The Exchange Fund comprises borrowings from the Hong Kong Government's fiscal reserves plus profits made on its own operations.

The Government says the proposal which it is now developing to stabilise the Hong Kong dollar will mean a substantial revision of the mechanics for issuing and redeeming certificates of indebtedness to the note-issuing banks, in such a way as to produce an exchange rate which would more accurately reflect the fundamental strength of the economy. "The scheme," it says, "will mean the assumption by the Exchange Fund of a more significant role in the exchange rate determination mechanism."

# The Lords converge on Europe

Crammed though it is with ex-Governors of the Bank of England and former Treasury supremos, the House of Lords committee on Europe has been rather brave to put its authority so decisively behind a case for Britain's full participation in the European Monetary System. The case does not look particularly strong.

Perhaps the greatest recommendation for the European Monetary System is that it has actually survived the four turbulent years since its inception, despite seven realignments and at least as many episodes of strain when defeat by realignment was temporarily averted. Evidence for more concrete achievements is somewhat mixed.

There has indeed been rather less day-to-day (and probably hour-by-hour) fluctuation in the cross rates between member currencies. This was a central objective of the system so – as an IMF study avidly observed – it is "presumably the minimum achievement one would expect."

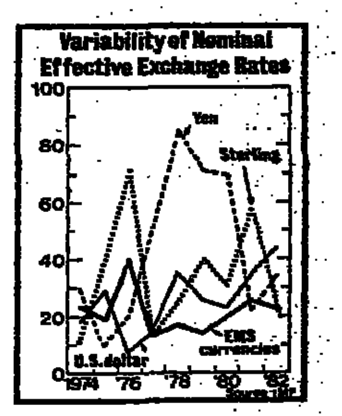
Admittedly, where was no pretence that the system would create stability between itself and anything else, but relations between the EMS bloc and major outside currencies have unfortunately grown more volatile since 1979. Perhaps this consequence might have been avoided if sterling had been inside the system from the beginning, at the price of still more frequent parity adjustments.

## Siege warfare

It is in any case a more serious problem for the EMS that the kind of stability that it delivers may be not quite what the customers want from it. Even if it has cut out a lot of day-to-day uncertainty by suppressing a pattern of daily fluctuations, only to import a new medium-term doubt by throwing up more abrupt changes of parity every few months.

These changes can become widely anticipated long before they take effect, reviving the model of currency speculation which occurred under the old Bretton Woods regime, when hot money could drive down a one-way street at the expense of a defending central bank. Pressure against the French franc before the system was realigned last March, forcing the Bank of France to squeeze overnight Euro-franc interest rates to well over 1000 per cent, showed the known disadvantages of fixed parities to be unchanged.

This kind of siege not only taxes the ingenuity resources of central banks, but is liable to throw the burden of change on to companies




trading in the currencies under strain. In the months surrounding the latest EMS realignment, the expectation that it would occur produced a ludicrous distortion of Franco-German trade finance as well as a short-lived bonanza for the currency speculators.

For companies the stretches of calm between such dislocations simplify the business of treasury management, at least as it applies to the financing of short-term trade. But while the spans are probably not long enought to make a favourable impact on capital investment decisions, at least the changes tend to be in the direction suggested by differential inflation rates. That said, it is noteworthy that Ford's evidence to the committee came down against UK membership partly because Ford disliked the idea of step changes even more that it minded daily fluctuations.

Over and above its immediate aim of increased exchange rate stability, the EMS was intended to promote economic convergence between the participating countries. Yet until the new austerity struck the Elysée this spring, there had been a notable lack of coordination of domestic monetary and fiscal policy by system members. The most that can be claimed is that the EMS may have helped to prevent still greater divergence.

The UK Government's position has from the outset been one of willingness to join the exchange rate mechanism (in addition to the other EMS arrangements in which it already participates) as soon as conditions permit. Although it sometimes seems that this could happen only if global stability unexpectedly broke out, there are in reality just two major objections, which the House of Lords committee seeks to disarm – none too convincingly – in its report.

The petro-currency effect, which boosts portfolio holdings of sterling and the exchange rate when the oil price rises, seems to the committee less of a problem than formerly, "since oil price fluctuations appear to be less likely in future." And the well-rehearsed argument that the exchange rate and the money supply cannot be targeted independently appears to be turned aside by the charming observation that if both targets are expressed as ranges, the incompatiblity "may not actually be noticed."

## Locking in

While these difficulties of principle remain, there may nevertheless be an opportunistic case for "early but not necessarily immediate" entry to the exchange rate mechanism, as the Lords recommend. If so, it probably hinges on a calculation of UK competitiveness in relation to West Germany, which tends to show that at rates around DM 4, sterling is heavily overvalued by the currency markets. For instance, in terms of unit labour costs, the pound might need to drop as far as DM 3 in order merely to regain the competitive position it enjoyed when the EMS was being stitched together five years ago.

Such a high degree of imbalance is not, however, supposed to persist indefinitely in (fairly) efficient markets. In that light it could be a two-edged matter to fix the rate when sterling is so far out of line. Although the real economy may respond à la Thatcher to pressures from an inappropriate rate, there is still a risk that fixing the rate might make an institution out of a handicap. While if foreign exchange markets tried to effect the competitive adjustment, membership of the exchange rate mechanism would necessitate bouts of costly intervention, followed by the inevitable tears.

A cynical British Chancellor of the Exchequer who saw sterling toppled to less than DM 3.50 might well be tempted to "lock in" this competitive gain by joining the exchange rate mechanism. If the market later insisted that the pound was indeed worth more, the expense of proving otherwise would at least be shared with the Bundesbank.

One way to escape this dilemma could be provided by the markets at almost any time, if they chose to mount a re-run of last winter's sterling collapse. A entirely adventitious crisis, such as might overtake the pound if another mild winter knocked the bottom out of oil prices and Opec, is just the sort of thing which could establish a level for sterling which was sustainable in the EMS without too much effort.



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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday September 26 1983



WARRANTS

# Issuers mistook potential demand from investors

BY MARY ANN SIEGHART IN LONDON

SIX WEEKS after the first EuroTreasury warrants were launched and now the initial fuss has died down, it may be time to ask some questions.

Will the market fizzle out? Are investors being conned? How would they know if they were?

A EuroTreasury warrant is an option to buy a specific U.S. Treasury bond. The first issue attempt came from Quadrex Securities, but lack of interest meant the deal was cancelled within hours. The warrants were felt to be far too expensive.

Since then, however, investment banks have issued seven sets of warrants for U.S. Government securities, and two for Canadians. Only one of the U.S. warrants – Merrill Lynch's – has consistently traded over its issue price in the past few weeks.

Obviously the price of a warrant will depend partly on the price of the underlying bond. In six of the seven issues, this bond is the 10⅜ per cent security of 2012, which at the beginning of the "ET" craze stood at 88.

At the end of last week, however, it was around 91, so that does not explain the warrants' price falls.

In that case, are the warrants too expensive, is there over-supply, or are investors simply not interested?.

The first question is the most difficult. Few people in the market – not even the new issue managers – can claim a watertight method for valuing or pricing warrants.

One way of valuing them is to run all the relevant factors – the life of the warrant, the volatility of the underlying bond, the strike price and so on – through a computer programmed with the so-called "Black-Scholes" model. This supposedly indicates a reasonable price, but is by no means failsafe.

Alternatively, the premium payable on the warrant over the current price of the underlying bond can be compared with premiums on comparable options or futures contracts in the U.S. This, too, can be difficult because there is often no option or future with a similar life.

As one financial futures expert admits: "Where there are no comparable options in Chicago, you have to use a bit of guesswork."

An issuer can also work out the cost per warrant to hedge the whole deal – probably in the options or futures market – and add a suitable profit margin, say $2 per warrant. This relies on the issuer having a good feel for what the market will take.

But if the issuer can hedge for $2 less, why not the buyer? Is this just "money for old rope for the borrower" as one dealer suggests?

Certainly the issuing house wins. If the warrants are not all sold, there is no problem. The bank needs to hedge only as many warrants as it sells – there is no chance of having to sell them at a loss.

Warrants have an advantage over bonds for the non-dollar investor if he thinks the dollar will fall. He can put up a tiny percentage of the strike price at first, and the balance in cheaper dollars later.

However, he is paying a slight premium, for not having to venture into the options or futures markets himself. On the longer maturities, these markets tend to be less liquid, and buying warrants also saves the investor from opening a commodity account.

Yet despite these advantages, the warrants have not been particularly popular. Sophisticated investors play the options and futures markets themselves, and many of the others are not interested in speculating.

As one big fund manager complained when the first issues appeared: "The majority of my big accounts don't want to become involved in these sorts of niceties."

INTERNATIONAL BONDS

# Positive mood hardens prices

BY MARY ANN SIEGHART IN LONDON

THERE are things to do and money to be made. There's a much more positive feel to the market." Such was the verdict of one dealer in a week which saw the launch of very nearly $2bn of new issues in the Eurodollar bond market and a rise of around 1¼ points in the price of seasoned bonds.

And the market should be even happier this morning after the news of a $3.1bn fall in the U.S. M1 measure of money supply. Estimates last week had varied from a $2bn fall to a $1bn rise, so the actual figure fooled even the optimists. On Friday night, the New York bond market rallied strongly, leaving the benchmark long bond, at 104²⁷⁄₃₂, a whole point up on the day.

The Eurodollar market should pick up this week too, but there may not be the flood of new issues one might at first expect.

U.S. corporate borrowers have tended to have healthier balance sheets this year than last and, therefore, have less need to issue bonds. The ones that do want to borrow money in the near future, are biding their time in the hope that interest rates are coming down. Meanwhile, there is not, apparently, a large backlog of European issuers waiting to tap the market.

Besides, there is still a backlog of unsold bonds from last week. And the official launch of a $500m floating rate note today for Denmark, led by Merrill Lynch, will add to that supply.

The fact that Friday saw three new issues illustrates the new resilience the market has acquired. Fridays in the past few months have been notorious for their nervousness. With the money supply figures on their way, few banks dared to launch bonds, and prices in the secondary market tended to drift downwards.

But last Friday the market, buoyed up by the success of the 20-year U.S. Treasury auction the night before, was in a wonderful mood. Prices rose by ⅜-½ point and issues came out for Comsat, the U.S. satellite company – at $100m, one of the largest convertibles the market can remember – British Columbia Hydro and Konishiroku Photo Industry.

The largest bond last week was the $500m floating rate note for Credit Foncier de France. The 10-year note, paying ¼ point over the six-month London interbank offered rate (Libor), has optional redemptions after five and seven years, but also carries incentives to hold it for as long as possible.

But the most interesting feature of the bond is that it is being led by Deutsche Bank (together with Banque Nationale de Paris and Merrill Lynch), which has tended to steer clear of the floating rate note market. This may be an admission that this lucrative market can no longer be ignored, particularly since Deutsche Bank's main rival in the lead-management league tables, Credit Suisse First Boston, has carved itself a niche in the lead-management of large floaters.

This deal was particularly profitable for Deutsche Bank since the fees to lead managers were large by floating rate note standards at 105 basis points. Since the bond was also considered to be well-priced, it traded at a discount of only 70 basis points, leaving 35 points for the lead managers.

Last week also saw activity in the Eurosterling market. A total of £100m was raised, £50m for the European Economic Community and £50m for Investors in Industry (formerly known as Finance for Industry). Both bonds were very well-received, trading at discounts of around one point. Coupons in the Eurosterling market are moving closer to those in the dollar sector as demand for sterling assets seems to strengthen.

Meanwhile, markets in Germany and Switzerland did not react quite so favourably to the lead from New York, mainly because the dollar continues to be strong. Prices rose by about ½ point in both markets over the week.

This week should see the launch of another of Soditic's dual currency bonds in which the interest payments are in Swiss Francs and the redemption in U.S. dollars. The 10-year bond, for Hudson's Bay Company, will raise a minimum of SwFr 150m

# Success continues for Swedish loan

BY MARGARET HUGHES IN LONDON AND PETER MONTAGNON IN WASHINGTON

THE KINGDOM of Sweden's £500m loan has already reached its syndication target, echoing the enthusiasm shown at lead-manager level which allowed the loan to be doubled from its original size. By Friday evening some £140m had been committed with responses still expected from some 40 other banks.

Samuel Montagu, which is co-ordinating the loan, said that a wide spectrum of banks were participating at syndication level, generally taking on £5m to £8m each. It plans to close syndication either later today or tomorrow.

But the Swedish loan's success is unlikely to bring a flood of sterling credits of similar size. Such borrowers would need to be good names from Northern Europe or, perhaps, a handful from countries, such as Malaysia, in the Far East.

Otherwise there are likely to be only small sterling tranches of broader packages which also include a dollar deal, along the lines of that put together recently for OTE, the Greek telecommunications authority.

Another Greek utility the Public Power Corporation, which is sounding out the market for a $200m to $250m credit, would be a possible candidate.

In the non-sterling sector, the Republic of Paraguay has come to the market for a $35m credit as part of a $82m financing package for a hospital project on the outskirts of Asuncion. Lead managers are Banque Nationale de Paris and Europeenne de Banque (formerly Banque Rothschild). The eight-year loan, with a three-year grace period, will have a margin of 2¼ per cent over London inter-bank offered rate for the first three years rising to 2½ per cent for the last five.

Reaction to the loan will be watched closely given that Paraguay and Colombia are the only two Latin American countries which have not had to reschedule. Colombia was successful with its recent loan which was increased from an original $150m to $225m, although legal problems are still holding up signing.

## CURRENT INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Lead Manager | Offer yield % |
|---|---|---|---|---|---|---|---|
| **U.S. DOLLARS** | | | | | | | |
| Yamanouchi Pharm. § ‡ | 50 | 1990 | 7 | 4 | 100 | Nikko Secs | 4.750 |
| J. C. Penney ¶‡ | 100 | 1990 | 7 | 11⅞ | 100 | CSFB, Morgan Gty. | 11.875 |
| Pac. Gas and Electric ‡ | 75 | 1991 | 8 | 12 | 100 | CSFB | 12.000 |
| Ned. Scheepshypotheekbank †‡ | 20 | 1988 | 3½ | 5¼∅ | 100 | Bque. Gutzwiller, Kurz Bungener | – |
| Dai-Ichi Kangyo Bank ‡ | 100 | 1990 | 7 | 12¼ | 100 | Paribas, Dai-Ichi Kangyo, Merrill Lynch | 12.250 |
| GMAC Ovs. Fin. ‡ | 100 | 1990 | 7 | 11⅛ | 99¾ | Morgan Stanley | 11.423 |
| Credit Foncier de Fr. †‡ | 500 | 1993 | 10 | 5¼∅ | 100 | Deutsche Bank, BNP, Merrill Lynch | – |
| World Bank ‡ | 100 | 1988 | 5 | 11½ | 100 | Nomura Intl. | 11.500 |
| BC Hydro ‡ | 200 | 1993 | 10 | 11¾ | 100 | Deutsche Bank | 11.750 |
| Comsat § | 100 | 1998 | 15 | 7¾–8 | 100 | CSFB, Bk. of America, Nomura Intl. | * |
| Denmark †‡ | 500 | 1990/3 | – | * | 100 | Merrill Lynch | – |
| Isveimer †○‡ | 70 | 1990 | 7 | 5¼∅ | 100 | Nomura Intl. | – |
| Konishiroku Photo. § | 50 | 1998 | 15 | 4 | 100 | Nomura Intl. | * |
| **D-MARKS** | | | | | | | |
| Electricite de France ‡ | 200 | 1993 | 10 | 8⅜ | 99½ | Deutsche Bank | 8.451 |
| **SWISS FRANCS** | | | | | | | |
| EEC ‡ | 100 | 1993 | – | 6 | 100 | CS | 6.000 |
| CIBC **‡ | 55 | 1988 | – | 5⅞ | 100 | UBS | 5.875 |
| Australia & N. Z. Bkg. **‡ | 50 | 1988 | – | 5¾ | 100 | SBC | 5.750 |
| Prov. of New Brunswick ‡ | 100 | 1993 | – | 5¾ | 100 | UBS | 5.683 |
| Nankai Elec. Railway **‡ | 50 | 1988 | – | 6⅛ | 100 | Banca della Svizzera Italiana | 6.125 |
| Trisec Corpn. ‡ | 100 | 1993 | – | 6⅛ | 100 | Royal Bk. of Canada (Suisse) | 6.125 |
| JVC **§ | 100 | 1988 | – | 3⅜ | 100 | CS | * |
| Hudson's Bay Co. ‡ | 150 | 1993 | – | 8 | – | Soditic, First Chicago SA | 8.000 |
| **STERLING** | | | | | | | |
| EEC ‡ | 50 | 1993 | 10 | 11⅞ | 98½ | SG Warburg, County Bk., Samuel Montagu | 11.963 |
| Investors in Industry ‡ | 50 | 1993 | 9 | 10¾ | 94½ | SG Warburg | 11.710 |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| Woolworths ‡ | 25 | 1988 | 5 | 14½ | 100 | Orion Royal Bank | 14.250 |
| **GUILDERS** | | | | | | | |
| Amro Bank **‡ | 100 | 1988 | 5 | 8¾ | 100 | Amro Bank | 8.750 |
| Finland | 100 | 1993 | 8 | 9½ | * | ABN | * |
| **ECUS** | | | | | | | |
| CEPME | 30 | 1987 | 4 | 10¾ | * | BNP, BBL, Caisse des Depots et Consignation, Nikko Secs. | * |
| CEPME | 30 | 1991 | 8 | 11¼ | * | | * |
| CEPME | 35 | 1995 | 12 | 11¾ | * | | * |
| **YEN** | | | | | | | |
| Council of Europe ‡ | 15bn | 1993 | 9 | 7.9 | 99.45 | Daiwa Secs. | 8.140 |
| City of Gothenburg ‡ | 10bn | 1993 | 9 | 7.9 | 99.35 | Nikko Secs. | 8.155 |

* Not yet priced. ‡ Final terms. † Floating rate note. ∅ Minimum. § Convertible. ○ Increased. ¶ With warrants. ** Dual currency issue repayable in dollars. Note: Yields are calculated on AIBD basis.

# INTERNATIONAL CAPITAL MARKETS AND COMPANIES

**U.S. BONDS**

## Issue volume thin despite upbeat perspective

WALL STREET'S credit markets begin the week against a decidedly bullish backdrop.

Last week short-term rates tumbled and the Treasury long bond recorded its best performance since July gaining 2¾ points and closing around 104⅞ to yield 11.41 per cent compared to 11.75 per cent just 10 days ago.

Spurring the rally, which came despite the Treasury mini-refunding totalling $14.25bn in new paper, was an unexpectedly large decline in M1 announced late on Friday, renewed surge of retail buying interest, and a decline in the Fed funds rate together with renewed indications that the hitherto hectic pace of the economic recovery may be slowing.

Monetary growth has slowed decisively over the six weeks and the latest $3.1bn reduction in M1 means that all three monetary aggregates are now comfortably within the Fed's target ranges.

Short-term interest rates have declined by about 70 basis points since the August peak. Last week the three-month Treasury bill rate fell by 26 basis points to 8.81 per cent and perhaps more importantly the Fed funds rate has been trading below 9.5 per cent.

The economic indicators, while still mixed, are pointing towards a slowdown in the pace of the recovery, and this was highlighted by the 7 per cent "flash" third-quarter GNP estimate released last week.

This, coupled with a considerably better than expected response to the mini-refunding—and especially to the 20-year bond auctioned at an average yield of 11.90 per cent on Thursday, has prompted a resurgence of optimism in the markets.

The Fed has also been active in the markets, conducting a series of large systems repurchases at times when the funds rate has been comfortably below 9.5 per cent. While this is generally viewed as a technical correction—designed to offset seasonal swollen Treasury tax receipts and the corresponding drain in bank reserves—it has also prompted a debate on Wall Street over whether or not the Fed has eased—albeit slightly.

Some economists, like Merrill Lynch's Donald Maude contend that the Fed "has now embarked on a less restrictive posture—basically taking away the post-July FOMC meeting incremental firming move," but the general view is probably that no major change in policy has taken place but that certainly the slight firming, underway throughout the summer, is now over.

What is clear is that the Fed, and the FOMC when it meets next week on October 4, will have a great deal more room for manoeuvre.

This flexibility will be further enhanced by the continuing downward revision of the Treasury's fourth quarter financing needs. The latest projections from Salomon Brothers suggest a $40bn figure, which would be $20bn lower than the same period last year.

The markets last week reflected the new upbeat perspective. In the corporate market prices were marked up by about two points. Nevertheless, corporate new issue volume continues to be thin. This probably reflects the improvement in corporate cash flows and a corresponding reduction in external borrowing needs coupled with a view that rates may decline further.

New corporate issue volume last week totalled $479m from straight issues. Among these Norwest Financial launched a $50m issue of 12 per cent 6-year notes which were sold at par, Ford Motor Credit came to the market with a $100m issue of 12.5 per cent five-year extendable notes, and Texas Eastern Transmission sold $100m of 12-year debentures priced to yield 12.75 per cent.

**Paul Taylor**

**U.S. INTEREST RATES (%)**

| | Week to Sept 23 | Week to Sept 16 |
|---|---|---|
| Fed funds wkly aver | 9.48 | 9.54 |
| Three-month CDs | 8.92 | 9.06 |
| Three-month T-bills | 9.35 | 9.50 |
| 30-year Treas bond | 11.54 | 11.77 |
| AAA Utility | 12.50 | 12.63 |
| AA Industrial | 12.50 | 12.63 |

Source: Salomon Bros (estimates). In the week ended September 14 M1 fell by $3.1bn to $515.4bn.

## Zanussi forecasts another big loss for this year

BY JAMES BUXTON IN ROME

ZANUSSI, the leading Italian manufacturer of home electrical equipment, expects to make another very big loss this year. The new chairman, Sig Umberto Cuttica, expects the loss to be in line with last year's deficit of L130bn ($81m), which was incurred on consolidated sales of L1,566bn.

Sales of white goods rose by 15 per cent in the first eight months of this year, but there are still serious problems in the electronic products division. Total debt, which was L670bn at the end of last year, is expected to reach L1,000bn by the end of 1983. The figures make the launch of a recapitalisation programme agreed in outline during the summer even more essential, as the company is in danger of having to write down its L80bn share capital.

Sig Cuttica, a former Fiat executive, was made chairman in July, after the company's difficulties led to the dismissal of the long serving Sig Lamberto Mazza.

Last week the board approved a detailed recovery plan which is to be put to government ministers and the unions in the next few days. It is believed to involve the loss of between 5,500 and 7,000 jobs out of a workforce of about 30,000.

The recapitalisation plan entails the entry into the ownership of the company of a consortium of leading Italian entrepreneurs, led by the Agnelli family which owns Fiat, a move agreed in principle in the summer. The Zanussi family which currently owns 82 per cent of the shares would see its stake fall, possibly to a minimum of 51 per cent. The Italian region of Friuli, in which Zanussi is based, is expected to advance new capital and the government is assisting the electronics sector through a joint venture called REL in which Zanussi has a major stake. But no agreement has been reached on when and in exactly what form the recapitalisation plan will go ahead, and the unions are certain to oppose the job losses.

## Weirton buy-out approved

WORKERS at National Steel's Weirton, West Virginia, steel plant have overwhelmingly approved a plan to create the largest employee-owned company in the U.S., ending more than 18 months of uncertainty for residents of the company town, *AP-DJ reports from Weirton*.

The approval was announced by representatives from the Independent Steelworkers Union (ISU) and Independent Guard Union (IGU) an hour after the balloting ended. The buy-out will not become final, however, until all lawsuits over the deal have been settled.

More than 85 per cent of the 8,000 eligible steelworkers voted on the $386m employee stock ownership plan, said Mr Walter Bish, ISU president. IGU officials said their union had a 94 per cent turnout.

## First-half profits fall at MPH

By Wong Sulong in Kuala Lumpur

FIRST-HALF pre-tax earnings of Multi-Purpose Holdings, the Malaysian Chinese conglomerate, were down by nearly 9 per cent to 6.8m ringgit (U.S.2.9m) although turnover increased by 27 per cent to 196m ringgit in the period to June.

Apart from its finance subsidiary, Magnum Corporation, all the group's major subsidiaries, Bandar Raya Developments, in properties, Dunlop Estates Berhad, in plantations, and Guthrie Berhad in trading, suffered lower earnings because of the recession.

After lower tax, and an extraordinary gain of 4.3m ringgit, the net profit was 4.4m ringgit, compared with 2.6m ringgit previously.

The company said the group expects a much better performance in the second-half with a continued improvement in the finance subsidiary, and good commodity prices, although the property and trading divisions are still experiencing dull conditions.

## Wheelock Marden to bail out shipping arm

BY OUR FINANCIAL STAFF

WHEELOCK MARDEN, the Hong Kong shipping, trading, and property group, is to provide a US$4m secured stand-by credit facility to Wheelock Maritime International, its shipping subsidiary, which had been facing liquidity problems.

The parent company also reported net earnings for the first half of 1983 of HK$101.2m (US$12.3m), down 7 per cent from the HK$109m of a year earlier. The interim dividend for A shares is 12 cents, for B shares 1.2 cents (both unchanged).

Wheelock Maritime said the proposed loan would serve as working capital over the next two years. The company no longer intended to request rescheduling of future obligations under existing secured loan facilities over this period.

The subsidiary first mentioned the possibility of seeking a rescheduling in it's 1982 annual report. In May this year it reported a net loss for 1983 of HK$863,000, compared with a net profit of HK$85.7m in 1981.

The company turned to its parent for help after Hongkong Realty and Trust, another Wheelock group affiliate, rejected a request for a loan.

Meanwhile Wheelock Marden expects to maintain its total 1983 dividends at not less than the 1982 levels of 30 cents for A shares and three cents for B shares, said Mr W. J. Lees, managing director.

He said second-half results would continue to be affected by worldwide economic uncertainty, depressed trading conditions, lower shipping charter rates and a declining Hong Kong property market.

● Sun Hung Kai Properties has announced profits after tax and extraordinary items of HK$358.3m (U.S.$43.7m) in the year ended June 30, compared with HK$717.3m previously.

An unchanged final dividend of 40 cents per share is payable on November 11, making an unchanged total for the year of 64 cents.

Net profits were struck after an extraordinary loss of HK$149.4m compared with a gain in 1982-83 of HK$46m.

At the halfway stage net profits were down from HK$450m to HK$245m.

## INTERNATIONAL APPOINTMENTS

### Senior posts in Lloyds Bank International

● Mr J. W. S. Cook has been appointed to the board of BANK OF LONDON AND SOUTH AMERICA (BOLSA) on becoming BOLSA's chief manager in Spain. He was previously principal manager, Lloyds Bank International, The Netherlands. Mr J. E. A. Field has been appointed executive vice-president, branch banking, at LLOYDS BANK CALIFORNIA, and on taking up his appointment has resigned from the BOLSA board. He was previously BOLSA's chief manager in Spain.

● Mr Christopher C. Young has been named head of the newly-formed petroleum and minerals—Latin America section of the special industries services department of CONTINENTAL BANK. He joined Continental's shipping division in London in 1974. In 1978 he went to the bank's Chicago headquarters and became a second vice-president. He was elected a vice-president in 1980 and transferred to the petroleum and minerals division of special industries in 1981.

● Mrs Juanita Kreps, a distinguished economist and educator and the first woman to serve as U.S. Secretary of Commerce, has been elected today to the board of CHRYSLER CORPN.

● Mr Carl R. Falletta has been named president of PONDEROSA INTERNATIONAL DEVELOPMENT INC, Dayton, Ohio. Since 1979 he has been president of Ramsey Laboratories Inc, a division of Pernod-Ricard of Paris. The division produces fruit preparations for industrial food companies.

● MARSH AND McLENNAN, New York, has named Mr Bruce W. Schnitzer as chief executive officer of its Marsh and Mclennan Inc insurance brokerage and risk management subsidiary. He succeeds Mr Alessandro C. di Montezemolo who will retire on December 1. Mr Schnitzer will continue as president of the subsidiary.

● HARRIS CORPN has promoted Mr W. Russell Moreen to vice-president and general manager of the company's CMOS digital products division, Florida. He was vice-president, manufacturing, of the division. He replaces Mr Robert M. Brill who has left to become president of Hybrid Systems, a Massachusetts-based electronics company.

● Mr Carl Edlund has been appointed to succeed Mr Nils Paues as managing director for CELBI, Billerud's pulp producing subsidiary in Portugal, from the middle of 1984. Mr Edlund is at present managing director for Fagersta Secoroc Ind e Com S/A in Brazil.

● Mr Rene Wildi, vice-president and director of sales, has been named vice-president and director of new ventures at DOW CHEMICAL EUROPE, Zurich. Mr Wildi will remain a member of the operating board and join the executive committee. In addition to his new assignment, Mr Wildi will maintain overall regional responsibility for Dow's operations in the Federal Republic of Germany and Switzerland.

● Senior vice-president, Mr Edmund M. Carpenter, has been promoted to president of ITT INDUSTRIAL TECHNOLOGY CORP, from October 1. He succeeds vice-chairman Mr Richard E. Bennett who had been heading the organisation on an interim basis since it was established in June. He will also continue as group executive officer of Automotive-Worldwide and Electrical Products, an ITT Industrial operating group.

● Mr Kenneth G. Woodring has been named president of HOBET MINING AND CONSTRUCTION CO INC. He will be responsible for all West Virginia activities. He was vice president operations for Hobet, a wholly-owned subsidiary of Ashland Coal, Inc.

● NEW YORK STOCK EXCHANGE has elected Mr Richard A. Grasso, executive vice-president-marketing. He had been senior vice-president-marketing, since 1982.

● Mr Larry Gallet has been appointed president and chief operating officer of ATLANTIC DESIGN. He has been with Atlantic Design for 21 years and has served as vice-president for 10 years. He succeeds Mr Max Schaehter, who has been president of the company for 32 years and remains chairman and chief executive officer. The company provides engineering, design, drafting and other technical services, including light manufacturing and testing of electronic components.

● AMERICAN SECURITY CORP, parent of American Security Bank, has elected Mr J. Craig Hamilton, as a vice-president of American Security Insurance Corp, a wholly-owned subsidiary of the holding company. He comes from Walker and Dunlop, where he was commercial insurance associate.

● Mr Edward F. Thompson has been named vice-president, chief financial officer, and secretary of AMDAHL CORP, Sunnyvale, California. He was vice-president and treasurer of the company, and replaces Mr Douglas G. Lovick who has resigned to pursue other interests.

● Mr Howard A. Thrailkill has been named president of FOUR-PHASE SYSTEMS INC, and has been appointed vice-president of Motorola's information systems group. He is vice-president and general manager of the Harris Corp's computer systems division in Fort Lauderdale, Florida, before joining Motorola.

● Mr Hisashi Murata has retired as president of the Japan External Trade Organisation (JETRO) which has its head office in Tokyo. He is succeeded by Mr Shoichi Akazawa. Entering the Ministry of International Trade and Industry (MITI) in 1943, Mr Akazawa retired in 1971 as director general of the Heavy Industries Bureau. In 1973 he was appointed adviser to Fujitsu and became its vice-chairman in 1981.

● Mr Nicholas Handras, vice-president of Manufacturers Hanover Trust Co., New York, has been appointed directeur-general-adjoint of MANUFACTURERS HANOVER BANQUE NORDIQUE in Paris. He was previously in charge, within Manufacturers Hanover Trust Co. international division, of the relationships with French multinational customers together with the follow-up of MHBN's activity in France. Mr Jacques Nandin, formerly directeur-adjoint in charge of the international department, has been appointed vice-president of Manufacturers Hanover Trust Co., New York, where he will have responsibility for group relations in France.

● Mr Kenneth A. Macke, president and chief operating officer of DAYTON HUDSON CORP, has been elected chief executive officer. He succeeds Mr William A. Andres as chief executive officer. Mr Andres, who continues as board chairman, has been elected in addition as chairman of the executive committee. Mr Macke was named president of Dayton Hudson in January 1981 after heading the corporation's Target division for four years.



## FT INTERNATIONAL BOND SERVICE

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |



**EUROBOND TURNOVER**
(nominal value in $m)

| | Cedel | Euro-clear |
|---|---|---|
| U.S. $ bonds | | |
| Last week | 4,477.9 | 8,670.2 |
| Previous week | 5,124.8 | 9,953.0 |
| Other bonds | | |
| Last week | 999.9 | 698.8 |
| Previous week | 1,238.5 | 979.5 |

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg.day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on September 23

# UK COMPANY NEWS

## Hamilton Bros. buys back 17% of its UK subsidiary

Hamilton Brothers Petroleum Corporation, one of the larger independent oil companies in the U.S., is to effectively buy back the 17 per cent of its British subsidiary which it floated on the London Stock Exchange just over two years ago.

The deal involves the exchange of shares in a new U.S. holding company, Hamilton Oil Corporation, which is offering shares on a one-for-one basis to Hamilton Brothers and one-for-six to Hamilton Oil Great Britain (HOGB), the UK subsidiary.

Following the announcement on Friday, HOGB's shares fell 32p to 182p.

When HOGB came to the market in July 1981, the offer of 10m shares at 140p each attracted only 2.19m applications. The remaining shares were taken up by the underwriters. Until earlier this year the shares were trading at well below the offer price.

In March, HOGB issued another 21m shares to acquire Hamilton Oil International of the U.S. for £20.6m. Hamilton International, an exploration company, was privately-owned by Mr Fred Hamilton and a group of business colleagues.

If the deal goes through and the British and U.S. companies become consolidated, Mr Hamilton will be left with a 27 per cent stake in the new group, and AB Volvo of Sweden will hold around 16 per cent of the equity.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims — Camellia Investments, Metalrax, Planet Group, Thomson T-Line, Travis and Arnold, United Friendly Insurance, Willjay.

Finals—Galliford, Link House Publications, Parker-Knoll, Raglan Property Trust, Scottish and Mercantile Investment.

FUTURE DATES

Interims—
Elbar Industrial ........ Oct. 4
Gill and Duffus ........ Oct. 26
London and Contnl. Advrtsng. Sept. 27
London and Northern ........ Oct. 18
Lyle Shipping ........ Oct. 7
Midland Industries ........ Sept. 30
Mondort (Knitting Mills) ........ Oct. 10
N. British Canadian Investm't Oct. 7
Oilfield Inspection Services ... Sept. 29
Reed (Austin) ........ Oct. 6

Finals—
Amstrad Consumer Electronics Oct. 5
MEPC ........ Nov. 30
Nrthn. Inds. Improvement Tst. Sept. 28

## Atlantic Computers' SE listing

BY DOMINIC LAWSON

Atlantic Computers has applied to the London Stock Exchange for a full listing. The company, which supplies computer systems, is heading for a market price tag of over £40m. Atlantic's advisors, N. M. Rothschild, are to offer for sale by tender 6m ordinary shares, at a minimum price of 170p.

The offer comprises 25 per cent of the equity which, in total, would be capitalised at £40.8m at the minimum tender price.

In 1982, Atlantic made pre-tax profits of £2.64m on turnover of £33.69m, and is forecasting profits of not less than £5.1m for the current year.

No money is to be raised for the company by the issue which consists solely of shares sold by existing holders. These include Mr Ian Skipper and Mr Leonard Jagger, formerly of UEI, who last year provided £8m of financing for Atlantic, in return for 60 per cent of the equity. As a result of the offer for sale, Mr Skipper's and Mr Jagger's interests will come down to 47 per cent of the equity.

However, Atlantic's chairman, Mr John Foulston insists "the decision to go public was mine." Following the offer for sale, Mr Foulston and director Mr Vernon Davies, who jointly founded the company in 1975, will hold 27 per cent of the equity.

Atlantic's principal activity is the supply of configured computer systems, including peripherals, based mainly on IBM central processors and operating systems.

Atlantic is one of IBM (UK) larger customers and is able to supply a complete range of IBM equipment. Atlantic's customers are industrial concerns and financial institutions located mainly in the UK, but also in the Netherlands, West Germany and France.

This year, Atlantic entered into a joint venture with BL Systems to set up a computer breakdown contingency service under the name "Failsafe."

In giving its reasons for going public, Atlantic says "the listing of the company's shares will enhance its status in transacting business with its customers and financial institutions, and increase opportunities for growth."

At the minimum tender price of 170p, the prospective gross dividend yield is 1.9 per cent, and the prospective p/e on a notional full tax charge is 17.9. However, on the estimated actual charge, the multiple comes down to 8.

Brokers to the issue are Sheppards and Chase.

**● comment**

Atlantic Computers' profits forecast is spectacular enough to offset doubts regarding the hiccough in 1980-81. But it should be noted that one of the reasons for that downturn was that the company was stuck with some obsolete computers. As some U.S. high tech stocks have recently shown, the faster a market is growing, the bigger the banana skins that lie in wait. Fortunately, Atlantic has very experienced management, and an impeccable client base. It is also a very difficult stock for the investor to assess. Aside from the problems inherent in the tender mechanism, Atlantic's policy of writing just enough leases to avoid mainstream corporation tax makes valuation still harder. Moreover, the new joint venture with BL, though well conceived, further complicates the picture. The best advice may be to go straight for the bottom line. That shows an actual earnings multiple of only 9, which is hardly demanding. So enthusiasts should pitch in with an offer of at least 210p per share.



## Phoenix Timber continues in profit

Mr A. B. Gourvitch, chairman of Phoenix Timber, says that as previously reported, the group moved back into profit in the four months to end-July last and has continued to trade profitably.

He says the recovery stems from benefits of the actions reported and from improved trading conditions. No forecast is given but Mr Gourvitch says a statement on the interim dividend will be made in December.

The group has not disposed of the surplus properties previously referred to, but in the present circumstances they are not expected to realise more than about £600,000.

## FT share information

The following securities have been added to the share information Service:

Aeronite Group (Section: Industrials).
Gee (Cecil) (Stores).
Gent (S. R.) (Stores).
Great Victoria Gold (Mines—Australian).
Henderson Administration Group (Trusts/Finance Land).
International Corona Resources (Canadians).
KLP Group (Paper, Printing).
Peel Holdings (Property).
Promotions House (Paper, Printing).
Real Time Control (Electricals).
Southern Business Leasing (Banks/Hire Purchase).
Turnbull Scott Holdings (Shipping).

## Unitech

At the annual meeting of Unitech, electronic equipment manufacturers, Mr P. A. M. Curry, chairman, told members that results for the first quarter of the current year had exceeded budgets and that if the trend continued, the directors anticipated reporting a significant increase in sales and profits for the first six months.

## Marinex Petroleum

Of the 12m new ordinary shares offered by way of rights by Marinex Petroleum, over 98 per cent were taken up. The balance has been sold on the market, and the excess of about 26p per share will be distributed among the original allottees.

APPOINTMENTS

## RTZ Cement chairman

Mr D. A. Streatfeild, at present secretary of THE RIO TINTO-ZINC CORP. (RTZ), has been appointed chairman of RTZ Cement in succession to Mr J. D. Birkin, who is now deputy chief executive of RTZ. Mr P. S. Wigley has been appointed secretary of RTZ and Mr L. A. Broder deputy secretary. These appointments take effect from October 3.

★

Mr Christopher J. Cook and Mr John M. Davis have been appointed to the board of CARTWRIGHT DMD, the civil engineering arm of the Cartwright Group. Mr Cook joined the group in 1980. He will continue to work from Cartwright DMD's regional offices at Bath, Avon. Mr Davis joined the group in 1979. He is based at the Cardiff headquarters.

★

Mr Ron Green, has been promoted to director of marketing, Europe and the Middle East, for the electronic instrumentation division (EID) of EATON, a newly-created post. He had been EID's UK general manager.

★

Following Mr D. R. Tudor's appointment as group managing director, Mr Alastair M. Smith has been appointed company secretary and director of finance of HALL ENGINEERING (HOLDINGS). Mr R. N. C. Hall continues as executive chairman.

★

Mr B. M. A. Moriarty has been appointed chief executive Eurobond sales and associate director of YAMAICHI INTERNATIONAL (EUROPE), a wholly-owned subsidiary of Yamaichi Securities Company, Tokyo. For the past three years Mr Moriarty has been Eurobond sales executive at Deutsche Bank, London branch. In a restructuring of senior management positions at Yamaichi International (Europe), three associate directors have been appointed. Mr R. J. Demeza becomes responsible for institutional equity sales, Mr J. C. O'Donnell, corporate finance and syndication and Mr J. H. B. Smith, financial operations and personnel.

★

Having completed over seven years' service as a non-executive director of COURTAULDS, Mr J. A. Gardiner has retired from the board. Mr G. Maitland Smith, chief executive and deputy chairman of Sears Holdings, has been appointed a non-executive director of Courtaulds.

★

CLYDESDALE BANK, a member of the Midland Bank Group, has made three senior mangerial appointments in the London offices from October 1. Mr Robert M. Cruickshank, at present manager at Victoria office succeeds Mr Ian Wallace as manager at Piccadilly Circus. Mr Wallace is retiring. To succeed Mr Cruickshank, Mr John E. Queen, at present senior assistant manager, chief London office, takes over as manager, Victoria office. Mr Robert H. Reith, manager, Peterhead branch succeeds Mr Queen as senior assistant manager, chief London office.

★

PIONEER CONCRETE (HOLDINGS), UK operating subsidiary of Australian-based Pioneer Concrete Services, has appointed Mr Jonathan Barrass as group chief accountant and Mr Ian Menzies as group financial accountant, both based at UK group headquarters, Harrow.

★

CEDEL, Luxembourg-based international clearing house for the Eurobond market, has appointed Mr John Astbury senior vice president of Chemical Bank, to its board of management. He is Chemical's head of treasury, based in London.

★

ABBEY LIFE ASSURANCE CO has appointed Mr Brian Ridsdale as executive director with responsibility for marketing and systems. Mr Ridsdale joined Abbey Life from Scottish Amicable Life Assurance Society, where he was assistant general manager, product development. He was responsible for the project to launch Scottish Amicable into the unit-linked market.

★

Mr Roger Flemington has been appointed general manager of NATIONAL WESTMINSTER BANK'S premises division in succession to Mr F. G. Bennie who retires at the end of March next year.

★

Mr D. H. Durkin and Mr T. E. Templeman have been elected to the board of HOLMWOODS AND CRAWFURD (UK) from October 1, a subsidiary of Brown Shipley Holdings.

★

Mr Gerald W. Leahy, former treasurer of Unilever, has become senior vice president and deputy to the manager of the London branch of BANK JULIUS BAER & CO.

★

REXMORE has appointed Mr Norman Leonard Rosenblatt as a director.

★

Mr Michael C. Anderson has been appointed managing director of LIN PAC PLASTICS (INTERNATIONAL) from January 1. Currently, he is responsible for the Lin Pac Group's plastics operations in the UK.

## SHARE STAKES

Ladbroke Group—Mr E. W. Macadie, director, and Sir Kenneth Cork have disposed of 100,000 ordinary shares out of their joint non-beneficial trustee interests.

Microfocus Group—Mrs B. Reynolds and Mr P. A. O'Grady, directors, have each sold 72,200 shares at 624p. They are now interested in 2,804,600 shares (27.2 per cent) and 1,377,219 shares (13.3 per cent) respectively. Mr S. R. Lang has sold 40,000 shares and is now interested in 680,000 shares (6.6 per cent).

The British Printing & Communication Corporation—Pergamon Press has sold 845,000 ordinary shares and now holds 91,740,214 shares (77 per cent).

Abingworth—Possfund Nominees has transferred 1,081,386 ordinary shares to Britel Fund Nominees. As a result of this transfer it is now interested in less than 5 per cent of the shares.

Clarke, Nickolls and Coombs—London and Overseas Land on September 29 1983 acquired 65,000 ordinary, increasing its interest to 1.112m ordinary.

Jones (Edward) Group—Longy Ltd is the holder of 250,000 (5.82 per cent).

Rentokil—Mr W. H. Westphal, a director, has acquired a total of 28,000 ordinary and now holds 46,930 shares.







# RECENT ISSUES

## EQUITIES

| Issue price | Amount paid up | Latest Renunc. date | 1983 High | 1983 Low | Stock | Closing price | + or − | Net Div. | Times Covered | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 | F.P. | — | 24 | 20½ | ‡A. & M. Hire 10p | 23 | +1 | b0.1 | 11.1 | 0.6 | 14.5 |
| ¶¶ | F.P. | — | 160 | 118 | Assoc. Telecom | 120 | −4 | b8.0 | 3.1 | 2.4 | 19.2 |
| ‖¶ | F.P. | — | 170 | 170 | ‡Cont'l IndTVN/V5p | 168 | ... | — | — | — | 34.4 |
| ¶200 | F.P. | 26/8 | 250 | 200 | DPCE Hldgs 5p | 228 | −4 | b2.0 | 5.6 | 1.3 | 29.9 |
| 140 | F.P. | — | 170 | 157 | ‡Flextech 10p | 170 | +6 | — | — | — | 25.6 |
| 60 | F.P. | — | 72 | 66 | ‡Freshbake Foods 5p | 69 | +1 | bg1.7 | 2.7 | 3.5 | 12.1 |
| 200 | F.P. | — | 218 | 203 | Goring Kerr 10p | 215 | +2 | b5.0 | 2.1 | 3.3 | 20.5 |
| ¶125 | F.P. | 23/9 | 186 | 154 | Int. Signal & Control A | 184 | +21 | uQ2c | 4.0 | 0.7 | 34.2 |
| ¶¶ | F.P. | — | 73 | 56 | Ivory & Sime 0.1p | 59 | ... | u0.25 | 11.8 | 0.6 | 20.0 |
| §63 | F.P. | — | 71 | 70 | ‡Mainmet Hldgs 10p | 70 | ... | — | — | — | 74.5 |
| = | F.P. | 5/9 | 31 | 25 | ‡Metal Sciences 2½p | 31 | ... | — | — | — | — |
| 95 | F.P. | 12/8 | 94 | 88 | Park Food 10p | 88 | ... | u3.0 | 2.0 | 4.9 | 14.9 |
| ¶¶ | F.P. | — | 34 | 32 | P'sonal AssetsTst 12½p | 34 | +1 | — | — | — | — |
| §111 | F.P. | 26/8 | 254 | 165 | ‡P'lyt'chnicM'rine5p | 240 | −2 | ud2.0 | 1.9 | 1.2 | — |
| 85 | F.P. | 16/9 | 120 | 97 | ‡SCUSA Inc. $0.01 | 104 | ... | b0.016c | 4.4 | 1.0 | 25.6 |
| 100 | F.P. | 2/9 | 85 | 78 | ‡Tech. for Bus. 10p | 80 | ... | b4.2 | 6.0 | 7.5 | 11.1 |
| 85 | F.P. | 15/9 | 90 | 85 | ‡Thermal Scientific | 88 | ... | b2.3 | 3.8 | 3.7 | 15.8 |
| ¶ | F.P. | 23/9 | 19 | 16 | Yorks&Lancs Inv. W's | 17 | ... | — | — | — | — |

## FIXED INTEREST STOCKS

| Issue price £ | Amount paid up | Latest Renunc. date | 1983 High | 1983 Low | Stock | Closing price £ | + or − |
|---|---|---|---|---|---|---|---|
| 99.296 | £25 | 29/11 | 38 | 28 | Allied-Lyons 11¾% Deb 2009 | 28 | +¾ |
| ¶¶ | F.P. | — | 129 | 103 | Atlantic Met'n (UK) 12% UL 91/97 | 105xd | +1 |
| — | £80 | 26/10 | 25¾ | 18 | Bristol 11½% Red. 2006 | 22¼ | +¼ |
| 96.95 | £25 | 21/10 | 27¼ | 22½ | C.C.C. Economic 12¼% Gtd. Ln. 2013 | 27¼ | +½ |
| 99.75 | £30 | — | 138¼ | 105½ | Cigna Overseas Finance 18% Ln. 2008 | 106 | +½ |
| £100 | £10 | 27/10 | 12¼ | 11 | E'tbourne W'rworks12½pcR.Deb.2004 | 12¼ | +¼ |
| 100p | F.P. | 9/9 | 103p | 101p | ‡FKI 7% Red Cnv Pref | 101p | ..... |
| ‖ | F.P. | 21/10 | 103¼ | 100½ | Fleming Am. Inv Tst 7% Cnv Uns Ln 99 | 100½ | ..... |
| ** | F.P. | 30/9 | 103p | 101p | Fuller, Smith & Turner 8% 2nd Cm. Prf | 103p | ..... |
| ¶100p | 25p | 9/12 | 33p | 25p | LASMO 9⅝% Cum Red Pref | 33p | +¾ |
| — | — | — | 100⅝ | 100⅛ | Nationwide 11¼% Bds 20/8/84 | 100⅝ | ..... |
| 100 | — | — | 100⅜ | 99⅞ | Do 11% Bds 3/9/84 | 100⅜ | ..... |
| — | F.P. | — | 109½p | 106p | Oceonics 10¾% Cum. Red. Pref. 1993 | 109½p | +1½ |
| §100 | F.P. | — | 98¼ | 92 | Oldham 11¼% Red 2010 | 98¼ | +¼ |
| §100 | F.P. | — | 103p | 102p | Rockware 7.7% Cum. Cnv. 2nd Pref. | 102p | −1 |
| 98.575 | £25 | 11/8 | 98 | 93½ | Trafford Park Est. 11¾% 2007/11 | 96½xd | +½ |
| 97.941 | £25 | 14/10 | 28¼ | 25¼ | Transport Dev 12½% Uns Ln 2008 | 28¼ | +1 |
| 99.891 | F.P. | 20/9 | 129⅝ | 103½ | Watn'yM nn&Trum'n12⅝% Red.Deb.2008 | 104 | +¼ |
| 103.5 | — | — | 102p | 96p | Weir 10% Red Cum Pref | 96p | −5 |
| 99.124 | £25 | 25/10 | 29½ | 23¾ | Westland 12⅝% Deb 2008 | 28½ | +½ |
| ¶¶ | F.P. | 23/9 | 106½ | 100 | Yorks & Lancs Inv 13¼% Deb 2003 | 106½ | +½ |
| ¶100 | £10 | — | 12 | 12 | York Waterworks 6.75pc Red.Pref1988 | 12 | ..... |

## "RIGHTS" OFFERS

| Issue price | Amount paid up | Latest Renunc. date ● | Latest Renunc. date ■ | 1983 High | 1983 Low | Stock | Closing price | + or − |
|---|---|---|---|---|---|---|---|---|
| 92 | Nil | — | — | 17pm | 12½pm | Anglo-Indonesian | 17pm | ..... |
| 80 | Nil | — | — | 10pm | 9pm | Assoc. Paper | 10pm | +1 |
| 1250cts | Nil | — | — | 68pm | 42pm | Barlow Rand 10cts | 60pm | −3 |
| ‖½ | Nil | — | 19/10 | 4½pm | 2½pm | Bridgend Proc. "A" Ord. 1p | 3½pm | +½ |
| 48 | F.P. | — | 28/10 | 48¾ | 47 | Cambrian & Gen. Sec. | 47 | ..... |
| 65 | F.P. | — | 28/10 | 68 | 64 | " " Cap. 7½p | 65 | ..... |
| 48 | F.P. | — | 30/9 | 55 | 50½ | Chamberlain Phipps 10p | 54 | ..... |
| 20cts | Nil | — | — | 7½pm | 1½pm | Eagle Corp'n. 10cts. | 5pm | ..... |
| 440 | Nil | — | — | 85pm | 62pm | Exco Int'l. 10p | 85pm | +15 |
| 82 | F.P. | — | 28/10 | 89 | 80 | ‡Floyd Oil 10p | 85 | +5 |
| 40 | Nil | — | 14/10 | 61 | 51 | Group Lotus Car 10p | 60 | +1 |
| 17 | Nil | — | — | 3pm | 2pm | Helene of London 10p | 2½pm | ..... |
| 50 | F.P. | — | — | 88 | 72 | ‡‡Marinex Pet. 10p | 80 | ..... |
| 350 | F.P. | — | 28/9 | 455 | 435 | Midland Bank £1 | 442 | +5 |
| 35 | Nil | — | — | 10pm | 7½pm | Munton Bros. 10p | 7½pm | −2 |
| A52 | Nil | — | — | 70pm | 65pm | Nat. Com. Bk Aust. $A1 | 70pm | +5 |
| 80 | F.P. | — | 21/10 | 87 | 81½ | Nesco Invs. | 86 | −1 |
| 20p | F.P. | 15/9 | 21/10 | 29 | 24 | Parkdale 10p | 29 | ..... |
| 11 | Nil | — | — | 8pm | 6½pm | ‡Parkfield Foundries 5p | 8pm | ..... |
| 120 | Nil | — | — | 9pm | 2pm | Pritchard Servs. | 2pm | −½ |
| 10 | F.P. | — | 30/9 | 13 | 11¼ | ‡Sheraton Secs. 10p | 13 | ..... |
| 95 | F.P. | — | 14/10 | 143 | 126 | Steinberg 10p | 139 | ..... |
| 310 | Nil | — | 25/10 | 58pm | 42pm | Tate & Lyle £1 | 44pm | ..... |
| 175 | F.P. | — | 30/9 | 240 | 203 | Unitech 10p | 223 | +18 |
| 210 | Nil | — | — | 30pm | 28pm | Utd. Newspapers | 30pm | ..... |
| 180 | F.P. | 21/9 | 21/10 | 233 | 230 | ‡Webber Electro 12½p | 233 | +1 |
| $US1.72 | Nil | — | — | 115pm | 65pm | Weeks (B'muda) 10cts. | 82pm | +2 |
| $US1.72 | Nil | — | — | 130pm | 80pm | Do. Aust. 10cts | 98pm | ..... |

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital: cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1983. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ⊕ Figures or report awaited. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. ‡ Effective issue price after scrip. † Formerly dealt in under special rule. †† Dealt in under Rule 163 (3).

## PENDING DIVIDENDS

| | Date | Announcement last year |
|---|---|---|
| *ANZ | Nov 21 | Final 14 cents |
| Bejam | Oct 13 | Final 1.5 |
| Bell (A.) | Oct 6 | Interim 3.5 |
| *Bilton (P.) | Oct 3 | Final 3.8 |
| Blackwood Hodge | Sept 9 | Interim 0.5 |
| *Bowthorpe | Oct 11 | Interim 1.673 |
| *Brent Chemicals | Sept 27 | Interim 0.6 |
| British Electric Traction | Sept 2 | Final 6.137 |
| *British Home Stores | Oct 19 | Interim 1.75 |
| *Brooke Bond* | *Oct 19* | *Final 2.665* |
| Bryant | Oct 18 | Final 3.0 |
| *Cape Indust. | Oct 4 | Interim 1.7 |
| *Coats Patons | Oct 13 | Interim 1.4 |
| *Combined English Stores | *Sept 27* | *Interim due* |
| *Currys | Oct 3 | Interim 1.0 |
| *DRG | Sept 28 | Interim 3.0 |
| Debenhams | Oct 8 | Interim 2.041 |
| *Eastern Produce | Sept 28 | Interim 1.4 |
| *Finlay (J.) | Sept 29 | Interim 2.0 |
| *Foseco Minsep | Oct 3 | Interim 2.65 |
| Freemans | Oct 4 | Interim 1.9 |
| *Gill & Duffus | Oct 26 | Interim 3.6 |
| Glaxo | Oct 11 | Final 9.5 |
| Grattan | Oct 8 | Interim 1 |
| Habitat Mothercare | Sept 6 | Final 2.8 |
| *Hambro Life | Oct 5 | Interim 4.026 |
| *Hammerson* Property | Oct 15 | Interim 3.0 |
| Harrisons & Crosfield | Oct 26 | Interim 7.5 |
| *Harris Queensway | Sept 29 | Interim 1.67 |
| Hawker Siddeley | Oct 20 | Interim 3.7 |
| Hepworth (J.) | Nov 2 | Final 3.21 |
| *Laing (J.) | Sept 29 | Interim 1.0 |
| *House of Fraser | Sept 29 | Interim 2.0 |
| *Inchcape | Sept 27 | Interim 7.15 |
| *Ibstock Johnsen | Oct 11 | Interim 1.5 |
| London Brick | Oct 28 | Interim 1.951 |
| **London and* Northern | Oct 18 | Interim 1.5 |
| Marks and Spencer | Oct 26 | Interim 1.85 |
| *Mills and Allen Intnl. | Sept 28 | Final 16.0 |
| *Molins | Oct 3 | Interim 2.2 |
| Mowlem (J.) | Oct 14 | Interim 2.1 |
| MEPC | Nov 30 | Final 5.25 |
| *NEI | Sept 27 | Interim 1.5 |
| North British Props | Nov 3 | Final 2.0 |
| Peachey Prop. | Oct 19 | Final 3.0 |
| *Reed (Austin) | Oct 6 | Interim 1.0 |
| Reed Int | Nov 2 | Interim 4.0 |
| Rockware | Oct 13 | Interim nil |
| *Rugby Portland Cement | Oct 3 | Interim 2.6 |
| Sainsbury (J.) | Nov 3 | Interim 1.9 |
| *Scottish Metropol. Prop. | Oct 12 | Final 2.0 |
| **Senior Eng.* | *Oct 11* | *Interim 0.75* |
| *Telephone Rentals | Oct 19 | Interim 2.0 |
| *Travis and Arnold | Sept 26 | Interim 1.4 |
| UBM | Oct 28 | Interim 1.0 |
| UEI | Oct 14 | Interim 1.8 |
| *Wimpey (G.) | Sept 29 | Interim 0.85 |
| Wolseley-Hughes | Nov 2 | Final 10.29 |

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

## Granville & Co. Limited

*(formerly M. J. H. Nightingale & Co. Limited)*

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

### Over-the-Counter Market

| Capitalisatn. £000's | Company | Price | Change on week | Gross div. (p) | Yield % | P/E Actual | P/E Fully taxed |
|---|---|---|---|---|---|---|---|
| 5,840 | Ass. Brit. Ind. Ord. | 132 | — | 6.4 | 4.8 | 7.7 | 10.1 |
| — | Ass. Brit. Ind. CULS | 140 | — | 10.0 | 7.2 | — | — |
| 4,110 | Airsprung Group | 71xd | −1 | 6.1 | 8.6 | 20.3 | 20.3 |
| 550 | Armitage & Rhodes | 22 | — | — | — | — | — |
| 29,672 | Bardon Hill | 238 | +7 | 7.2 | 3.0 | 9.7 | 19.8 |
| 1,762 | CCL 11pc Conv. Pref. | 141 | −2 | 15.7 | 11.1 | — | — |
| 2,956 | Cindico Group | 187 | −3 | 17.6 | 9.4 | — | — |
| 4,411 | Deborah Services | 57 | −1 | 6.0 | 10.5 | — | — |
| 7,805 | Frank Horsell | 136 | +7 | — | — | 5.7 | 9.4 |
| — | Frank Horsell Pr Ord 87 | 130 | +7 | 8.7 | 6.7 | 5.5 | 9.0 |
| 7,801 | Frederick Parker | 54 | −2 | 7.1 | 13.1 | 3.4 | 5.4 |
| 590 | George Blair | 32 | — | — | — | 5.5 | 11.6 |
| 2,599 | Ind. Precision Castings | 64 | — | 7.3 | 11.4 | 17.7 | 22.0 |
| 4,800 | Isis Conv. Pref. | 200 | — | 15.7 | 7.9 | — | — |
| 5,414 | Jackson Group | 107 | — | 4.5 | 4.2 | 6.6 | 11.0 |
| 28,260 | James Burrough | 212 | +3 | 11.4 | 5.4 | 11.7 | 12.0 |
| 1,407 | Robert Jenkins | 138 | +1 | 20.0 | 14.5 | 16.0 | 10.8 |
| 3,480 | Scruttons "A" | 68 | — | 5.7 | 8.4 | 11.3 | 8.2 |
| 2,734 | Torday & Carlisle | 112 | — | 2.9 | 2.6 | — | — |
| 3,611 | *Unilock Holdings* | 23 | — | *1.0* | 4.3 | 15.0 | *21.9* |
| 11,346 | Walter Alexander | 89 | +4 | 6.8 | 7.6 | 7.8 | 10.3 |
| 6,165 | W. S. Yeates | 265 | — | 17.1 | 6.5 | 4.1 | 8.5 |

Licensed Dealer in Securities.

*Closing prices September 23*

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 17¾ | 6⅞ | AAR | .44 | 2.8 | 22 | 266 | 15⅝ | 14⅝ | 15⅝ | +⅜ |
| 51⅛ | 29½ | ACF | 1.40 | 2.7 | 66 | 2568 | u52 | 51¼ | 51½ | +⅝ |
| 20 | 14½ | AMF | .50 | 3.0 | | 331 | 17 | 16¾ | 16¾ | -¼ |
| 38¼ | 13⅞ | AMR Cp | | | 46 | 4568 | 31⅞ | 30 | 30¼ | -¾ |
| 18⅞ | 14⅛ | AMR | pf2.18 | 12. | | 73 | 18⅞ | 18¼ | 18⅞ | +⅛ |
| 39⅝ | 24⅞ | AMR | pf2.13 | 6.3 | | 8 | 34¼ | 32⅞ | 33⅞ | -1 |
| 15¾ | 2½ | APL | | | | 63 | 15⅛ | 14⅞ | 15 | -⅛ |
| 55 | 31¼ | ARA | 2.05 | 3.9 | 13 | 118 | 52¼ | 52 | 52 | -½ |
| 79⅞ | 42¾ | ASA | 3a | 4.8 | | 1077 | 63⅛ | 61⅞ | 63⅛ | +⅝ |
| 33¼ | 9⅞ | AVX | s .32 | 1.1 | 70 | 135 | 29⅛ | 28⅛ | 28⅞ | |
| 50⅞ | 34⅛ | AbtLab | 1 | 2.0 | 19 | 1230 | 50⅞ | 50⅛ | 50½ | -⅞ |
| 30⅞ | 24 | AccoW | n.50 | 2.0 | 19 | 134 | 25⅛ | 25 | 25 | -⅛ |
| 27½ | 16⅞ | AcmeC | .40 | 1.7 | | 33 | 24 | 23¾ | 24 | |
| 14⅞ | 6⅞ | AcmeE | .32b | 2.9 | 78 | 23 | 11⅛ | 11 | 11⅛ | +⅛ |
| 21½ | 6 | AdmDg | .04 | .2 | 17 | 160 | 21⅛ | 20¾ | 21⅛ | +½ |
| 17⅞ | 14⅛ | AdaEx | 1.73e | 10. | | 40 | 17¼ | 17⅛ | 17⅛ | |
| 19⅞ | 6⅞ | AdmMl | .24 | 1.3 | 9 | 23 | 18¼ | 18 | 18 | -⅛ |
| 18⅝ | 8⅞ | Advest | s .12 | .8 | 9 | 130 | 16⅛ | 15⅞ | 15⅞ | -⅛ |
| 34⅞ | 8⅞ | AMD | s | | 66 | 3716 | 32⅛ | 29⅞ | 30⅛ | -1⅞ |
| 24⅞ | 12⅛ | Aerflx | s | | 19 | 30 | 19 | 18⅞ | 18⅞ | |
| 44⅛ | 32⅞ | AetnLf | 2.64 | 6.9 | 7 | 1314 | 38 | 37⅞ | 38 | +⅛ |
| 65 | 52⅞ | AetL | pf5.18e | 9.1 | | 910 | 57 | 56¾ | 56⅞ | +⅛ |
| 40½ | 13½ | Ahmns | .60 | 2.0 | 17 | 385 | 30⅞ | 30¼ | 30½ | -½ |
| 7⅞ | 2⅞ | Aileen | | | | 301 | 5½ | 4⅞ | 5⅞ | -⅛ |
| 51 | 26⅞ | AirPrd | 1 | 2.1 | 14 | 772 | 48½ | 47½ | 48½ | +1 |
| 27¼ | 12⅞ | AirbFrt | .60 | 2.4 | 24 | 170 | 24¾ | 24⅛ | 24½ | +½ |
| 2½ | 1½ | AlMoa | s | | 18 | 76 | 2 | 1⅞ | 2 | |
| 33½ | 27¼ | AlaP | pfA3.92 | 13 | | 3 | 30⅞ | 30⅛ | 30⅞ | -⅛ |
| 7⅞ | 6⅛ | AlaP | dpf.87 | 13 | | 25 | 7 | 6¾ | 6⅞ | +⅛ |
| 74½ | 60½ | AlaP | pf 9 | 13 | | z730 | 69 | 68 | 68 | +1¼ |
| 99 | 80½ | AlaP | pf 11 | 11 | | z2500 | 96⅛ | 95⅞ | 95⅞ | +1⅞ |
| 81½ | 63⅞ | AlaP | pf9.44 | 13. | | z2550 | 73½ | 71½ | 73½ | |
| [illegible] | | | | | | | | | | |



Continued on Page 23

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# AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

*Closing prices September 23*

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Continued on Page 24

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 22

[illegible]

Continued on Page 24

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

# WORLD STOCK MARKETS

## Indices

### NEW YORK — DOW JONES

| | Sept. 23 | Sept. 22 | Sept. 21 | Sept. 20 | Sept. 19 | Sept. 16 | 1983 High | 1983 Low | Since C'mpil'tn High | Since C'mpil'tn Low |
|---|---|---|---|---|---|---|---|---|---|---|
| ◆ Industr'ls | 1255.59 | 1257.52 | 1243.29 | 1248.18 | 1233.84 | 1225.71 | 1257.52 (22/9) | 1027.04 (3/1) | 1257.52 (22/9/83) | 41.22 (2/7/32) |
| H'me Bnds | 71.47 | 71.11 | 71.29 | 71.34 | 71.16 | 71.15 | 77.84 (6/5) | 69.85 (9/8) | — | — |
| Transport | 584.35 | 583.69 | 586.89 | 590.04 | 582.84 | 572.75 | 590.66 (27/6) | 454.24 (5/1) | 590.66 (27/6/83) | 12.32 (8/7/32) |
| Utilities | 133.43 | 133.43 | 133.62 | 133.19 | 131.45 | 131.69 | 133.62 (21/9) | 119.51 (3/1) | 165.32 (20/4/69) | 10.5 (28/4/42) |
| TradingVol 000-† | 95,160 | 97,050 | 91,260 | 103,050 | 86,950 | 75,530 | — | — | — | — |

◆ Day's high 1265.55 (1261.28) low 1246.24 (1236.79)

| | Sept. 16 | Sept. 9 | Sept. 2 | Yearago (Approx) |
|---|---|---|---|---|
| Indust'l div. yield % | 4.53 | 4.48 | 4.57 | 6.94 |

### STANDARD AND POORS

| | Sept. 23 | Sept. 22 | Sept. 21 | Sept. 20 | Sept. 19 | Sept. 16 | 1983 High | 1983 Low | Since Cmpil'tn High | Since Cmpil'tn Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Indust'ls | 191.23 | 191.87 | 189.74 | 190.72 | 188.94 | 187.58 | 193.22 (22/6) | 154.85 (3/1) | 193.22 (22/6/83) | 3.62 (30/6/32) |
| Comp's'te | 169.51 | 169.76 | 168.41 | 168.26 | 167.02 | 166.24 | 170.99 (22/6) | 138.34 (3/1) | 170.99 (22/6/83) | 4.40 (1/6/32) |

| | Sept. 21 | Sept 14 | Sept. 7 | Year ago (Approx) |
|---|---|---|---|---|
| ‡Indst'l div. yield % | 3.90 | 3.95 | 3.89 | 5.18 |
| Indust'l P/E ratio | 14.58 | 14.33 | 14.58 | 9.09 |
| Long Gov. Bond yield | 11.50 | 11.59 | 11.61 | 11.61 |

### N.Y.S.E. ALL COMMON

| Sept. 23 | Sept. 22 | Sept. 21 | Sept 20 | 1983 High | 1983 Low |
|---|---|---|---|---|---|
| 98.07 | 98.20 | 97.46 | 97.88 | 99.01 (22/6) | 80.92 (24/1) |

Rises and Falls

| | Sept 23 | Sep. 22 | Sept. 21 |
|---|---|---|---|
| Issues Traded | 1,968 | 1,949 | 1,941 |
| Rises | 768 | 935 | 711 |
| Falls | 802 | 616 | 824 |
| Unchanged | 398 | 398 | 406 |
| New Highs | 79 | 73 | 66 |
| New Lows | 9 | 11 | 8 |

### MONTREAL

| | Sept. 23 | Sept. 22 | Sept. 21 | Sept. 20 | 1983 High | 1983 Low |
|---|---|---|---|---|---|---|
| Industrial | 466.87 | 466.87 | 462.49 | 462.83 | 488.87 (23/8) | 331.18 (4/1) |
| Combined | 458.19 | 458.15 | 455.41 | 435.35 | 459.19 (23/9) | 328.12 (4/1) |
| TORONTO Composit | 2582.7 | 2587.0 | 2571.0 | 2577.6 | 2592.7 (23/8) | 1949.8 (4/1) |

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day | | Stocks traded | Closing price | Change on day |
|---|---|---|---|---|---|---|---|
| ATT | 3,227,900 | 67¼ | — | IBM | 1,111,900 | 125⅝ | +2 |
| RCA | 1,643,500 | 33¼ | +2⅞ | Merrill Lynch | 953,900 | 38¼ | −1½ |
| Pan Am Air | 1,209,000 | 3⅞ | −⅛ | Prime Comp. | 943,400 | 18¼ | +⅛ |
| Citicorp | 1,182,100 | 37⅛xd | −⅛ | General Elec. | 919,000 | 52⅞ | +1⅛ |
| Stevens J. P. | 1,164,800 | 20⅞ | −1 | Chrysler | 806,700 | 30¼ | +⅛ |

| | Sept. 23 | Sept. 22 | Sept. 21 | Sept. 20 | 1983 High | 1983 Low |
|---|---|---|---|---|---|---|
| AUSTRALIA All Ord. (1/1/80) | 708.6 | 706.5 | 714.5 | 715.5 | 736.7 (12/9) | 487.3 (4/1) |
| Metals & Minls. (1/1/80) | 571.1 | 567.5 | 579.1 | 580.4 | 614.2 (5/9) | 411.6 (4/1) |
| AUSTRIA Credit Aiktien (2/1/62) | 55.02 | 54.84 | 54.92 | 55.02 | 58.8 (5/5) | 48.48 (15/2) |
| BELGIUM Belgian SE (31/12/63) | 132.24 | 131.51 | 128.11 | 128.92 | 134.45 (7/6) | 100.50 (4/1) |
| DENMARK Copenhagen SE (3/1/63) | 197.44 | 196.89 | 198.27 | 196.50 | 204.22 (13/8) | 100.08 (3/1) |
| FRANCE CAC General (31/12/82) | 157.5 | 156.1 | 156.5 | 155.6 | 157.7 (25/8) | 96.1 (3/1) |
| Ind Tendance (31/12/82) | 148.4 | 146.4 | 145.8 | 145.7 | 148.4 (23/9) | 98.8 (3/1) |
| GERMANY FAZ-Aktien (31/12/58) | 314.78 | 313.38 | 314.73 | 312.51 | 331.85 (7/7) | 241.83 (25/1) |
| Commerzbank (Dec1953) | 934.8 | 930.2 | 934.6 | 927.8 | 986.5 (7/7) | 727.3 (25/1) |
| HONG KONG Hang Seng Bank (31/7/64) | 785.48 | (c) | 848.06 | 856.58 | 1102.64 (21/7) | 761.61 (4/1) |
| ITALY Banca Comm Ital. (1972) | 196.93 | 196.67 | 194.15 | 193.79 | 214.95 (21/3) | 160.45 (10/1) |
| JAPAN** Dow Average (16/5/49) | (c) | 9280.30 | 9272.66 | 9264.16 | 9365.88 (7/9) | 7803.18 (25/1) |
| Tokyo New SE (4/1/68) | (c) | 684.65 | 685.62 | 680.59 | 688.55 (7/9) | 574.51 (25/1) |
| NETHERLANDS ANP-CBS General (1970) | 142.7 | 141.3 | 141.0 | 139.7 | 143.4 (22/8) | 108.1 (4/1) |
| ANP-CBS Indust (1970) | 114.6 | 113.5 | 112.5 | 111.2 | 116.5 (22/8) | 83.5 (4/1) |
| NORWAY Oslo SE (4/1/83) | 207.88 | 209.57 | 211.29 | 210.61 | 214.46 (18/8) | 99.01 (4/1) |
| SINGAPORE Straights Times (1966) | 990.41 | 987.39 | 980.55 | 968.55 | 992.82 (25/8) | 712.29 (5/1) |
| SOUTH AFRICA Gold (1958) | 872.6 | 887.9 | 905.7 | 910.0 | 1093.5 (1/2) | 834.5 (28/6) |
| Industrial (1958) | 954.5 | 963.5 | 952.5 | 963.4 | 968.7 (28.6) | 740.8 (5/1) |
| SPAIN Madrid SE (31/12/82) | 115.85 | 115.47 | 114.77 | 114.40 | 120.92 (13/7) | 98.32 (11/1) |
| SWEDEN Jacobson & P. (1/1/58) | 1471.97 | 1479.32 | 1488.87 | 1478.45 | 1528.60 (6.9) | 826.16 (5/1) |
| SWITZERLAND SwissBankCpn. (31/12/58) | 354.5 | 356.2 | 357.0 | 356.9 | 547.0 (4/8) | 294.4 (4/1) |
| WORLD Capital Intl. (1/1/70) | 182.0 | — | 181.1 | 181.6 | 182.7 (22/8) | 154.5 (5/1) |

(**) Saturday Sept 17: Japan Dow 9182.07, TSE 676.64.
Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50: Standard and Poors—10; and Toronto—1,000: the last named based on 1975. †Excluding bonds. ‡ 400 Industrial. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable

## AUSTRIA

[illegible]

## BELGIUM/LUXEMBOURG

[illegible]

## DENMARK

[illegible]

## CANADA

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## HONG KONG

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## JAPAN

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## FRANCE

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## GERMANY

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## SINGAPORE

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## SOUTH AFRICA

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## SWEDEN

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## SWITZERLAND

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## SPAIN

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NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

# AMERICAN STOCK EXCHANGE CLOSING PRICES

12 Month High Low Stock Div. Yld. P/E Sls 100s High Low Close Quote Ch'ge Prev. Close

Continued from Page 23

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# NEW YORK CLOSING PRICES

12 Month High Low Stock Div. Yld. P/E Sls 100s High Low Close Quote Ch'ge Prev. Close

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FINANCIAL TIMES SURVEY
Monday September 26 1983

# JORDAN

**Although economic growth is slowing, Jordan's meagre natural resources are being skilfully exploited and the country is becoming less dependent on handouts from other countries. The main danger for the future is perceived as coming from Israel but there are also problems in relationships with neighbouring Arab states and the Palestinian Liberation Organisation.**

Terry Kirk

The past and the future: children at play on a hill overlooking the Roman amphitheatre in Amman

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## Stepping off the centre stage

**BY DAVID LENNON**

TWELVE MONTHS of high drama have surrounded the small kingdom of Jordan. For a time it stood on the centre of the Middle East stage, the key to President Reagan's peace initiative.

In the end, however, it decided it would serve its own purposes best by reverting to its traditional role of seeking to ensure survival and prosperity in a troubled region.

There are many dangers surrounding this well run pro-western capitalist society. The greatest is perceived as coming from Israel but there are also fears about the intentions of Iran, Syria, and of internal instability arising from the Palestinian residents who make up 60 per cent of the population.

It was to deal simultaneously with both the Israeli and the Palestinian problems that King Hussein decided to support the peace initiative of President Reagan. But after four months of frustrating attempts to win Palestine Liberation Organisation, and thus Arab, support for Jordan to enter peace negotiations with Israel, the King was finally led on April 10 to announce that he would take no part in this attempt to wrest the West Bank from Israel's ever-tightening grip.

Although he felt then, and feels now, that time is running out for useful negotiations over the West Bank, the Jordanian monarch has thrown the problem back into the Arab lap. Today his policy is to wait and see what will emerge.

"We have been active for the better part of the last year," explains Crown Prince Hassan, the King's brother. "Possibly Jordan has done more on its own than could be expected of it, to the point that critics were saying, 'Well Jordan may intend to go it alone.'

"But we have reiterated time and again that we are only interested in achieving the withdrawal of the occupation and restoring Palestinian Arab rights on Palestinian soil. When it became clear that the *PLO understood, by the restoration* of Palestinian rights, *a priori* the creation of a state, we said we could not deliver."

### Search for peace

The decision to declare publicly that Jordan was abandoning the attempts to get PLO backing for talks with Israel on the basis of the Reagan initiative was made, the Crown Prince says, because, "We simply had to make public our fears that our continued discussion with the PLO may have led to another Arab summit conference, one which might propel us closer to the phase of armed struggle and away from any possibility of the political search for peace."

Jordan, which has the longest border with Israel of any Arab country, and suffered defeat at its hands in 1967, knows only too well that the Arab states are in no condition to confront Israel militarily. Therefore, it believes that the only option open to the Arab nations today is negotiation.

Unfortunately, the key party in this, the U.S., has proved something of a disappointment, although the King has refused to attach any personal blame to President Reagan. The failure to get Israel out of Lebanon was one of the main elements in the failure to win PLO approval for a Jordanian negotiating role over the West Bank.

Because of its dependence on Arab financial support, King Hussein could not lead his country in a unilateral peace mission such as that undertaken by the late President Anwar Sadat of Egypt. With 10 boom years in the economy ending, and growth slowing down, Jordan needs every penny of aid it can get from the Arab world, especially as there are no indications that the U.S. would be willing to replace this source of monetary support.

The extent of Jordanian disappointment with Washington is expressed in Crown Prince Hassan's comments about events in Lebanon. "The U.S. is sincerely committed to achieving a withdrawal from Lebanon, but we have to wait and see if this sincerity is matched with some form of strategic understanding or plan which would allay the legitimate fears of the Syrians."

He is also distressed by "the *deliberate confusing*" of the East-West conflict with Middle East problems. The Crown Prince believes this to be an American error because "the Soviets have indicated to us that they would support a comprehensive peace in the area."

The future is cloudy. The country's major superpower ally gives Jordan's most threatening neighbour, Israel, 25 times more aid than it gives to Jordan, and yet appears to have only very limited control over Israel.

The Jordanians fear that one day Israel will try to put into effect its slogan that "Jordan is Palestine." This could be done either by a military takeover, deposing the Hashemites and imposing a Palestinian government, or by destabilising Jordan by pushing hundreds of thousands of Palestinians from the West Bank onto the East Bank.

### Respected army

In an attempt to block this as well as show displeasure with the Palestinians for their support for the PLO, Jordan *recently tightened up its controls* on West Bankers entering Jordan. Only those with permits from the Israeli authorities to return to the West Bank are being allowed into Jordan. This, it is hoped, will stem the flow of emigrants *from the West Bank which is* estimated at more than 10,000 a year.

The move has angered the Palestinians on the West Bank and in Jordan alike. It will hardly prevent any mass expulsion by the Israelis, they say. Nor is it likely to win the West Bankers away from the PLO and make them better disposed towards the Hashemites.

The PLO hold is, in fact, more likely to be weakened by its own internal divisions, and by coming under Syrian control, than by anything the King can do.

In the meantime, he has a very efficient, if not immediately visible to the visitor, internal security service which will keep the Palestinians of the East *Bank in line*.

His position at home is also secured by efficient armed forces which comprise 100,000 men and are respected even by the Israelis. The army's equipment is being modernised by the acquisition of 278 British-made Chieftain tanks, and 36 French Mirage M-1s. When the modernisation programme is complete in 1984 its armoured units will have 960 main battle tanks and 1,000 armoured personnel carriers as well as a considerable amount of self-propelled artillery.

This is not intended to be a match for the Israeli forces, but is designed to fight a defensive war which would enable Jordan to hold off an Israeli attack long enough for international pressure to bring about a cessation of hostilities. Unfortunately, Jordan is seriously deficient in anti-aircraft missiles, one of the key ingredients in any battle against Israel whose air force is generally rated as one of the best in the world.

In this area again the U.S. has disappointed. It refused to sell mobile Hawk anti-aircraft missiles to Jordan, forcing *King Hussein to turn to Moscow* for Sam-6 batteries.

Washington has also rejected Jordanian requests for F-16 fighter planes, even though Jordanian pilots are probably far more competent to fly such sophisticated aircraft than either the Egyptians or the Saudis who have been supplied with them.

The purchase of Chieftans and Mirages was made possible by the 1978 Baghdad summit pledge of U.S.$1.25bn annually for 10 years. A sizeable chunk of this money was devoted to the armed forces, and now, with the Baghdad payments "in some disarray" to quote the chairman of the Central Bank, the accelerated payment commitments will put additional strain on the economy.

Jordan is not expecting more than $700m of the $1.25bn this year because of the economic problems faced by the Arab oil producers, as well as the strain placed on Arab generosity by the need to support Iraq in its disastrous war with Iran.

King Hussein has ruled his tiny desert kingdom for over 30 years and few Jordanians expect that he will be brought down by his present troubles.

"We have survived many worse crises," you are told time and again in Jordan. Certainly, today's problems are small compared to the shocks of the loss of the West Bank and Jerusalem in 1967 and the civil war against the PLO in 1970-71.

In the past decade the country has developed remarkably. Today Amman is a modern and pleasant town which stands as a *shining testimony* to good economic and political management. It has a recently-opened airport and the sole outlet to the sea, Aqaba, has been transformed from a sleepy little harbour into a very modern and efficient port.

The country's meagre natural resources are being skilfully exploited thanks to a major development programme, which despite inevitable cutbacks will continue to push Jordan towards lesser dependence on handouts from other countries.

Of course, Jordan remains an absolute monarchy. The King rules, and no one doubts that. There are voices raised in favour of greater parliamentary democracy, and more representation for Palestinians in government. But these are the luxuries of a well-off, stable country. The fact that these complaints are heard is further testimony to the achievements of the past decade.

Given the pressures in the region, and the size of the armed forces which are roaming it, the King's balancing act has been remarkable, whether as a result of the instincts of a traditional ruler, or at times sheer luck.

As he enters his fourth decade as King, there are few prospects that the crown will lie more easily on his head. As he said in a recent interview: "You have to keep a lot inside, you have to smile and say things are OK when your heart is broken, and that takes its toll."

Whatever the toll, and despite a widespread belief in Jordan that he will be its last King, Hussein Ibn Talal will continue the struggle to make his kingdom prosperous and to restore a degree of Arab control over Jerusalem. Whether he can achieve his goals, we will have to wait and see.

GDP growth has been affected by cutbacks in foreign aid and workers' remittances, and by the loss of the Iraqi export market

# Pace of expansion slowing

## Economy

THE PROSPERITY of Jordan is underpinned by foreign aid. So it has always been and all the indications are that this will continue to be the situation for many years to come. Despite having a trade deficit of US$2.5bn in 1982, the country enjoyed a balance of payments surplus, thanks to foreign aid and workers' remittances.

The cutbacks in both these categories have created a slowdown in the growth of the Jordanian economy. It has been exacerbated by the loss of the Iraqi export market as a result of Baghdad nearly bankrupting itself through its war with Iran.

Two immediate steps taken by the Government to cope with the situation were to go to the Eurobond market in February last to borrow US$225m. At the same time it cut the US$1.6bn capital expenditure planned for 1983 by US$345m.

The problem lies with oil. Both aid from the other Arab countries and workers' remittances depend on the buoyancy of the economies of the oil exporting nations. The drop in the price of oil has meant that the donor countries have less money to give to Jordan and their cutbacks in domestic activity also means less jobs for expatriate workers.

The Baghdad summit of 1978 promised Jordan US$1.25bn a year for 10 years in return for rejection of the Camp David accords. Because some of the donor countries reneged straightaway and others simply fell by the wayside, probably never more than US$1.1bn was paid annually during 1979, 1980 and 1981. Last year it is believed, though not verified, that only US$900m was paid over and the central bank believes that this year the Arab aid will be only US$700m.

Remittance money, which rose by 30 per cent between 1980 and 1981, grew last year by less than 10 per cent, but even so to U.S.$1.1bn, making it the most important source of Jordan's foreign exchange. As a result of the oil price slump, however, it is far from certain that there will be any growth in remittance money this year from the 310,000 Jordanians working abroad, principally in Saudi Arabia and the Gulf states.

Total remittances may in fact be much larger. Some people believe that between US$550m and US$1bn more may flow into Jordan from expatriate workers, outside of the official banking system. If this should prove true then any drop in remittances could have an even greater impact than indicated by the official figures.

In the eyes of a number of people in Jordan the forced cutback in the development programme may have a silver lining. "The high income in the past led Jordan to behave like an oil country, though we have no oil," explained one banker. "We have to work for a living and it's good to be reminded of it."

Jordan's economy has certainly boomed in recent years—something very visible in Amman, where new buildings abound. Between 1974 and 1980 real Gross Domestic Product grew at an annual rate of over 8 per cent but in the past two years it has been slowing, with the 1982 rate estimated at slightly over 5 per cent.

With a population of only 2.4m Jordan's domestic market is small and natural resources very limited. Only about 6 per cent of the land is arable and most industrial plants are relatively small. Important new facilities have recently been completed, however, or are under construction.

The most important constraints on continued economic growth are limited natural resources, shortages of skilled manpower in some categories, a small local market and the continued regional instability which inhibits access to some of the natural export markets of neighbouring Arab countries.

A glance at the trade figures show how far Jordan has to go in terms of improving this negative balance. In 1982 exports totalled JD 264m compared, to imports of JD 1.14bn. Phosphate rock accounted for 40 per cent of merchandise exports, with agricultural produce making up a further 18 per cent. Exports of locally manufactured goods, which had been rising rapidly have been hit recently by the collapse of the Iraqi market.

The central bank had to give Iraq a US$65m credit facility recently to enable it to honour its repayments to Jordanian companies trading with it. This reflects the crisis which has hit the trade since last autumn. After two boom years of ever spiralling exports, which saw the Iraqi market consume 40 per cent of all Jordan's exports in the first six months of 1982, Baghdad had to apply the brakes on imports as it ran into a crisis over lack of foreign currency.

Many Jordanian companies, particularly those manufacturing consumer goods, had already invested heavily in expanding capacity, sometimes by as much as 200 per cent in anticipation of the boom continuing. Rumours abound in Amman that some of them are facing bankruptcy.

### New market

Efforts are under way to find a new market. Just as Syria replaced Egypt after 1978 and Iraq replaced Syria after 1980 so the hope is that another major new market will open up soon. The ban on private trade with Egypt has been quietly reversed, though as yet there are no concrete signs of any major development of exports to Egypt.

The one theme constantly heard in domestic and foreign financial circles in Amman is that Jordan has a very well managed economy. The dramatic growth of the past decade attests to this as does the country's high credit rating abroad. Jordan has no trouble in borrowing money if it so wishes. The debt service ratio is good at 15 per cent with only some U.S.$200m a year interest and capital repayments. Foreign reserves are equal to almost nine months' exports.

A number of major development projects have already been completed such as the new Queen Alia airport south of Amman and the expansion of Aqaba port. There is British participation in most major projects with John Laing and George Wimpey International among the major beneficiaries. Despite the cutback in development projects Marconi Radar, Westinghouse Signals and Bowater Shellabear have all signed sizeable new contracts this year.

### Creditable

The degree of slow-down being experienced by the economy is still difficult to gauge. Some people say that it has not really hit yet, others say it is only sectional, while another view is that it is already under way but is far from being a recession.

What is expected is a slowdown in growth rather than a stand-still or slump. GDP reached JD 1.36bn in 1982 compared with JD 1.2bn the previous year. GNP also rose from JD 1.5bn in 1981 to JD 1.7bn last year. The decline in GDP growth has been gradual—from over 8 per cent before 1980, easing to about 7.5 per cent in 1981 and declining to between 5 and 6 per cent last year. This is still a very creditable performance when it is considered that many countries had no growth at all in 1982.

Looming on the horizon, or perhaps already arrived but not fully registered, are late payments on some contracts, a possible return of some Jordanian workers from the Gulf with the inflow greater than the outflow and the continued high repayments for the major arms purchases of recent years. Any upturn in the oil economies, however, will ease these problems and allow a resumed expansion of growth.

**David Lennon**

Terry Kirk

Product of the boom years: the Shmaisani Centre, a 20-storey complex comprising shops, offices and the Amman Plaza Hotel, being built for the Housing Bank

**KEY STATISTICS**

| (in JDm) | 1981 | 1982 | (in JDm) | 1981 | 1982 |
|---|---|---|---|---|---|
| Gross national product (at market prices) | 1,524 | 1,711 | Central Bank gold and foreign exchange reserves | 433 | 418 |
| Gross domestic product (at market prices) | 1,206 | 1,366 | Central government budget expenditures | 647 | 722 |
| Imports | 1,047 | 1,141 | Foreign aid grants to central government | 432 | 375 |
| Exports (domestic exports and re-exports) | 242 | 265 | External public debt of government | 341 | 398 |
| Domestic exports | 169 | 183 | Internal public debt | 232 | 278 |
| Workers' remittances | 341 | 381 | | | |
| Money supply (M-2) | 1,180 | 1,403 | | | |

JD=$2.75 as of June 18 1983 =£1.80

Source: Central Bank of Jordan





# Diversified sector put to test as country looks inwards for funds

## Finance

THE PAST DECADE of fast growth and diversification by the Jordanian banking and finance sector will be put to the test in the coming 18 months, as the slowdown in the Jordanian economy forces a greater reliance on domestic financing capabilities.

Since 1975, the banking system has grown at an annual average rate of 25 per cent, reflecting the steady influx into Jordan of money originating in the Arab oil states. The banking system, with the close co-operation and sometimes even the prodding of the Central Bank of Jordan, took advantage of the boom years to put in place a significantly expanded network of new institutions, branches and financial instruments, all of which are now required to help raise the domestic financing required to make up for the shortfall in foreign aid.

The banking system has recently slowed its previously abnormal growth, with commercial bank assets rising just 16 per cent last year to JD1.63bn ($4.9bn), and outstanding commercial bank credit rising 17 per cent to reach JD921m.

More important in recent years has been the qualitative development of Jordanian banking. The 16 commercial banks have ventured a bit into the traditional territory of investment banks, while six new investment or merchant banks have opened their doors in the past four years, along with three Islamic banks working on the profit-sharing principle, and two savings and loans-type institutions that concentrate investing their clients' deposits in new home-owning schemes.

Amman also has nine representative offices of major international banks, and seven specialised banking institutions working in such fields as housing, agriculture, industry, co-operatives and municipal development.

### Syndicated loans

The new institutions, particularly the merchant banks and investment companies, have taken the lead in developing new financial instruments to meet the growing needs of local industry and services companies, as well as to meet the demand among investors for new outlets.

The most important advance has been the introduction into the Amman market of locally syndicated loans and dinar-denominated bonds. Over JD 100m of syndicated loans have been put together in Amman during the past four years, with another JD 50m of corporate bonds successfully floated in the same period.

This trend has been helped by an activist central bank policy that has included central bank rediscounting of about half a commercial bank's share of a syndicated loan, and 90 per cent of investment banks' participations in medium-term syndications.

The most recent syndication two months ago included a new clause pegging the interest rate to the prime rate, thereby effectively introducing the concept of floating interest rates for syndicated loans.

The merchant bankers of Amman are pushing hard for changes in the Jordanian banking law that would allow the introduction of other new instruments, such as convertible bonds or zero-rated bonds. Dr Maher Shukri, managing director of the Finance and Credit Corporation, one of the new investment companies, says:

"We need to develop tailor-made instruments to meet the special local needs of Jordan, particularly the needs of medium-sized industries which the banking sector traditionally financed by overdrafts. The investment banks and companies have to be the generators of innovation in the coming years."

Dr Mohammad Said Nabulsi, central bank governor, who has just been reappointed to his third five-year term, continues to be sensitive to short-term developments in the market. Earlier this summer he lowered the mandatory reserve requirements on commercial banks' current and savings accounts to 10 and 7 per cent respectively, thereby releasing some JD 12m of fresh liquidity into the market and slightly lowering the cost of funds to the banks.

This was done to help relieve what the central bank saw as a tightening liquidity and credit situation. The central bank also recently lowered the maximum effective interest that banks can charge for loans, from 11 to 10.5 per cent, in another bid to make sure the banks play their role in helping the economy get through the current slowdown.

The central bank does not plan to issue licences for any more banks or investment companies, Dr Nabulsi said, while more specialised institutions, such as the real estate-oriented savings and loan associations, will probably be subject to more selective licensing.

"We want to see all the new institutions in the banking sector stand solidly on their feet before licensing any more banks or investment companies."

With a shortfall of some $500m in expected Arab aid this year, the Jordanian economy will be turning inwards to finance some capital expenditures that normally would have been funded by grants from the Arab oil producers. The central bank is not in a mood to allow more domestic borrowing by public institutions, preferring to keep the market free for private sector borrowing.

A recently-arranged Euroloan for $225m for the Jordan Government was oversubscribed, indicating Jordan's good credit rating abroad. Its relatively low debt service ratio of some 7 per cent also augurs well should the Government decide to tap the international credit markets once again in the coming 18 months.

**Rami Khouri**

Dr Nabulsi: reluctant to issue new licences

## JORDAN III

# Enterprising manufacturers seek new partners

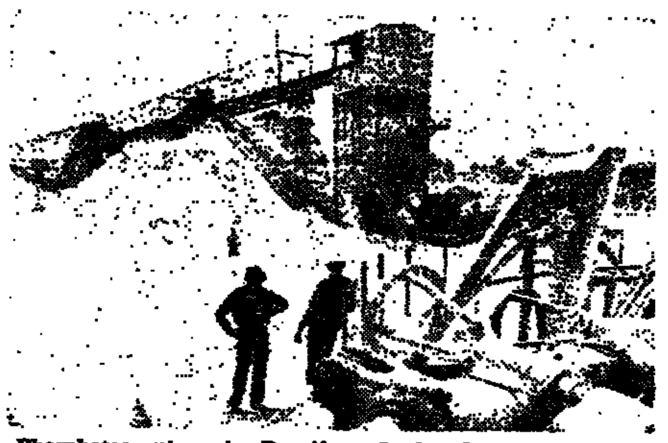
### Industry

THE SIGNS are that Jordan's ambitious objectives for its manufacturing and mining sectors are beginning to falter. After successive years of growth amounting to annual increases of 18.24 and 13 per cent, the 1982 index of industrial production rose by a mere 2.7 per cent.

With the economy ever dependent on the world and *more importantly* the region's wellbeing, there is every suggestion of a small net decline in growth rates for this year, which contrasts sharply with the 1981-85 five-year development plan proposed rise of 18 per cent per annum.

The single largest reason for this decline was the Iraqi decision last autumn to import commodities essential only to the war effort. Firstly this has severely damaged the transport and insurance sectors which had come to rely on the high volume of transit trade shipped through the port of Aqaba.

Secondly, the reduction in the export of consumer goods, commercial centre sales in Baghdad over the last 12 months amounting to just 10 per cent of the agreed quota, has threatened to bankrupt many firms, some of which expanded by 200 or 300 per cent to meet the Iraqi demand.



Phosphates mines in Ruseifa. Jordan hopes to be the world's third highest producer of phosphates in 1985.

#### Liquidation

Indeed only government intervention to buy unwanted exports, and to extend a $65m credit facility to Iraq to enable it to honour its debts to the Jordanian private sector, has averted the liquidation of a number of companies.

The resumption of the 1978 bilateral trade protocol with Egypt is the most notable success of feverish Jordanian attempts to open up alternative markets for the industrial sector. Although the former's lack of foreign exchange *precludes it from being* another Iraq, the ever-enterprising Jordanians hope greatly to boost trade to way above its level of five years ago by buying large quantities of agricultural goods and selling consumer durables in exchange.

Domestically, the Government is stepping up its efforts both to encourage new industries and attract investment from abroad. A new retroactive income tax law stipulates that the progression of tax on public companies will now cease at 35 per cent, while tax band and deduction changes tend to favour the small businessman. An amendment to the already generous encouragement of investment law is also being drawn up.

Such legislation complements the infrastructural progress which has consistently been given a high priority by the administration. Jordan's first industrial estate at Sahab, 20 km south of Amman, started to lease its buildings last November and at the end of May, 17 operating licences had been granted.

Indeed the success of this scheme has prompted the authorities to launch a similar enterprise at *Irbid* in the north which is due for completion in two years.

The commercial and industrial estate at Zarqa became operative in February and, given its good geographical position, has already been used extensively by goods bound for the United Arab Emirates and Kuwait now that the Iraqi market is faltering.

The industrial side of the venture has not been a success, however, owing to the high tariff rates that are incurred on finished product exports to the Arab region.

In addition to Zarqa and Aqaba, Jordan will have its third free zone in a few weeks when the specialist facility catering for expensive luxury commodities opens at the new Queen Alia International airport.

Perhaps nowhere is the Government's intent to optimise the use of existing resources more apparent than in the field of manpower. Increasingly, in the light of the chronic underemployment of medical and engineering graduates, the emphasis is shifting away from prestigious academic education in order to develop mid-level technical and practical skills which are still in desperately short supply. Thus there has been a big push over the last 12 months to expand the vocational training college system with foreign loans and particularly from the International Bank for Reconstruction and Development providing the capital.

When looking at industry in Jordan it is abundantly clear that the large production and mineral-based industries continue to dominate. Top of the export list remains the mining of Raq phosphates. Four million tons in total is extracted from two locations, a figure which is planned to increase to 7m in 1985, making Jordan, which already exports *to 15* countries, the world's third highest producer.

Of the existing production figure, 1m tons is used for processing into diammonium phosphate at the $400m fertiliser complex on the Gulf of Aqaba, which opened for trial production last autumn.

The plant has the capacity to turn out 600,000 tonnes of high grade fertiliser, though its rate for 1983 is expected to be about half that as teething troubles are overcome and markets extended.

At present the end-product is selling well, but the enterprise is suffering financially as the world price per tonne is now 43 per cent lower than when the original feasibility study was undertaken.

Also in the same line, the $450m potash works on the Dead Sea began its output in late September, and hopes eventually to turn out a yearly 1.2m tonnes by 1985.

*The cement factory at Fuheis* is the fourth of the big five in Jordan. It has an annual production of 2.2m tons. However, a request by the company for a licence from the Ministry of Industry and Trade to build a seventh kiln has been indefinitely put on ice.

The ministry believes that the extra 1m tons which would result from the necessary JD 60m investment, would be surplus to the needs of a construction industry which is on the point of contraction.

#### Inauguration

Such an analysis, coupled with the ministry's perception of a large surplus of cement existing in the Gulf area, must put a question mark against the viability of Jordan's second cement factory in the south, which is scheduled to produce 2m tons after its inauguration in October 1984.

Finally, Jordan's only oil refinery at Zarqa has just had its JD 80m extension completed, enabling it to process 4.2m tonnes of crude, compared to the 2.2m tonnes before. It is felt that this figure, 2.5m tonnes of which is for domestic consumption, will satisfy Jordan's needs at least up to 1990.

The success of these projects, which have exploited Jordan's meagre natural resources to the full, have not bred complacency. Reserves of about 60m tonnes of copper have been discovered in Wadi Arabeh and a plant feasibility study to supply 3,000 *tonnes annually is in a state of* preparation.

Oil exploration is forging ahead with some optimism in the Azraq desert, while Jordan has plentiful deposits of oil shale in the Lajjun region, about 100 kilometres south of Amman.

Nevertheless, with the world and regional economic outlook still looking glum, the Jordanian Government's ultimate aim of increasing its industrial sector's share of the GDP and reducing its dependence on services appears, at least in the short term, to have been reversed.

**Philip Robins**

**FIVE-YEAR PLAN GROWTH TARGETS**

**(in JDm)**

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | % change 1980-85 |
|---|---|---|---|---|---|---|---|
| Agriculture | 60 | 65 | 69 | 75 | 80 | 86 | 43.6 |
| Mining and manufacturing | 154 | 181 | 214 | 252 | 297 | 350 | 127.2 |
| Electricity and water | 8 | 10 | 11 | 13 | 16 | 19 | 137.5 |
| Construction | 52 | 59 | 66 | 74 | 84 | 94 | 80.8 |
| Trade | 138 | 147 | 163 | 181 | 201 | 222 | 60.9 |
| Transport and communications | 91 | 100 | 111 | 125 | 140 | 154 | 69.2 |
| Government services | 122 | 126 | 131 | 135 | 140 | 145 | 18.9 |
| Others | 80 | 87 | 95 | 104 | 113 | 123 | 53.8 |
| Gross domestic product at factor cost | 705 | 775 | 860 | 959 | 1071 | 1193 | 69.2 |
| Indirect taxes | 109 | 120 | 134 | 148 | 165 | 184 | 68.5 |
| Gross domestic product at market prices | 814 | 895 | 994 | 1107 | 1236 | 1377 | 69.2 |
| Net factor income from abroad | 197 | 217 | 238 | 262 | 288 | 318 | 61.4 |
| Gross national product | 1011 | 1112 | 1232 | 1369 | 1524 | 1695 | 67.7 |

Exchange rate (1980): $1=JD 0.299.

Source: National Planning Council.

Under the five year plan of 1981-85 industry was expected to grow at more than twice the pace of agriculture. However, the ambitious target set for the sector is unlikely to be achieved

## Growing competition is threatening the growth of food exports

# State moves to improve marketing

### Agriculture

THE NEXT 12 months could well prove crucial for the future of agricultural exports in Jordan.

In 1982, exports—mainly fruit and vegetables grown in the Jordan Valley—accounted for a little over 76 per cent of the provisional harvest figure. Though the output of these crops continues to rise, with vegetables reaching a record 442,281 tonnes last year, the deficiences of a fragmented and unco-ordinated marketing system, which has offset some of the benefits accruing from the higher levels of productivity, are now being recognised.

The bulk of the Jordan Valley produce is grown on intensively farmed, privately owned 30 dunum plots, where a combination of irrigation and warm winter weather yields an out of season crop which can command high prices in the markets of the Gulf.

However, the products' variable quality, together with growing competition, in particular from Turkey, is threatening the valley's markets in its traditional outlet.

The Government hopes to reverse this trend by the twin creation of an official regulatory body and a commercially run public marketing company.

The former, which will be linked to the Ministry of Agriculture, will be solely responsible for market research, an innovation in itself, and the quality control of goods for export.

It will also be in charge of arranging the guidelines for inter-governmental trade, the details of which will be left to the marketing company.

With a capital of JD 10m, which includes the four large marketing centres as well as the packing, box manufacturing and tomato paste factories in the valley, the company is expected to be ready for the winter season.

The intention is that its control of inter-state trade and the offering of contracts to buy a certain amount of produce at guaranteed prices will tempt the farmers into the system. Certainly the growers have shown great interest in the company's share issue.

The new set-up will also help to diversify the valley's range of produce, reducing the 195,300 tonnes of tomatoes and 59,500 tonnes of cucumbers grown in 1982 in favour of other crops.

A reduction in tomatoes, a favourite crop with farmers due to its ease of cultivation and the safety net of the tomato canning and paste factories, would be especially welcome as overproduction has resulted in a chronic glut this year.

The change might also herald a systematic marketing campaign aimed at the European winter market, although the membership of Greece and the entry of Spain into the EEC may well temper the potential.

#### Public criticism

The advent of the company comes at an important time, especially now that Jordan's trade with Iraq has come to a virtual standstill. However, the healthy economic effect which the company was intended to bring has already been reduced by an unofficial declaration by the Government of its willingness to intervene in the future to subsidise certain farm products.

Ultimately it seems that the only thing one can predict with certainty is that next spring the Agriculture Ministry will be in for yet another bout of strong public criticism.

The remainder of the two-thirds of agricultural land devoted to crops are the upland, rainfed areas which primarily produce cereals for domestic consumption, and are also planted with fruit and olive trees.

The uncertainty of production in these areas, which form 90 per cent of the available 528,300 hectares of agricultural land in the country, is shown in the wheat harvests of 1982 and 1983.

In the first year a disastrous winter reduced the harvest to between 15,000 and 20,000 tonnes, while the extraordinarily heavy rainfall of early 1983 has quintupled the crop. Even this bumper year though will produce well short of the 425,000 tonnes of wheat which will be consumed in Jordan in 1983.

As with the Valley, the production of cereals is influenced by political decisions. Arguments that Jordan should stop producing grain completely and concentrate on forage have been ignored. Grain continues to be considered a "strategic" crop and recently the Ministry of Supply decided to build a 50,000 tonne grain silo in Irbid and to expand the Amman and Aqaba silos.

Yet, even given the priority attributed to wheat, it has proved difficult for the administration to attain anywhere near the 50 per cent increase in yield which experts agree is feasible.

Local resistance among the traditional farmers has prevented the introduction of any widespread technical advances, while the lack of a comprehensive programme aimed at this has hardly helped. The Government's only way of encouraging farmers to grow more seems to be to buy the crops at much higher price levels than that at which grain is available on the world market.

Livestock, the third chunk of the country's agricultural production, has been the centre of a flurry of investment activity over the last year. There have been attempts to boost the indigenous output of red meat in order to help reduce the 1982 imports bill of almost JD28.5m. There are plans to set up a livestock project to produce 16,000 tonnes of meat per annum.

#### Rigid controls

A new dairy plant with a production capacity of 900 kg per hour started up in the Zarqa area last November. Although Jordan's rigid price controls have held back fresh milk production.

Most productive to date have been the egg and poultry meat sectors both of which are close to self-sufficiency. A major thrust toward self-sufficiency is to be the Arab Company for Livestock Development's poultry producing unit which is to be established in Jordan.

Such plans look impressive on paper and indeed, though Jordan can never hope fully to eradicate its JD 122m food trade deficit, it does have the potential to reduce it. As with agricultural policy in Jordan in general, though, it is the commitment and political will necessary to push these projects through that often falls way short of the mark.

**P. R.**

# Essential information for the visiting businessman

**Area**
96,188 sq km (of which the West Bank comprises 6,644 sq km).

**Population**
Approximately (1980) 3m (of which 750-800,000 live on West Bank; this population may have fluctuated).

**Capital**
Amman (population, 1980 estimate: 1.2m).

**Climate**
Varies by region. Western highlands, winter: minimum usual temperature 11 degrees C, summer temperatures 20 degrees C-25 degrees C; rainfall occurs during the winter (November-March) but amount is very variable (average annual, over several years, 600 mm). Inland areas/Rift Valley: minimum usual winter temperature 17 degrees C, summer temperatures 28 degrees C-30 degrees C; rainfall negligible. Gulf of Aqaba temperatures reach 30 degrees C plus in summer, winter conditions are mild. Some snow and frost occurs in mountain regions.

**Time**
GMT +2 (1 May to 31 August: GMT +3).

**Entry requirements**
Passport: required by all (with a few, mainly neighbour-state and service personnel exceptions).
Visa: required by all except nationals of certain Middle East states and certain document holders.
Prohibited entry: nationals and any visa-holders of Israel; nationals of Iran; nationals from certain countries without prior entry approval (India, Pakistan, Bangladesh, Sri Lanka, Turkey).

**Health precautions**
Mandatory: cholera and yellow fever for travellers from infected areas.
Advisable: anti-malaria when travelling in certain lowland areas.

**Diplomatic missions abroad**
Abu Dhabi, Algiers, Ankara, Athens, Baghdad, Beirut, Beijing, Belgrade, Berne, Bonn, Brussels, Bucharest, Canberra, Damascus, Doha, Islamabad, Jeddar, Khartoum, Kuwait City, London, Madrid Manama, Moscow, Muscat, New Delhi, Ottawa, Paris, Pyongyang, Rabat, Rome, Sana'a, Santiago, Tehran, Tokyo, Tripoli, Tunis, Washington.

**National airline**
Alia, Royal Jordanian Airlines.
Other airlines serving: Aeroflot, Air France, Alitalia, British Airways, Cyprus Airways, EgyptAir, Finnair, Gulf Air, Iraqi Airways, KLM, Kuwait Airways.

**Hotels**
(10 per cent tip is usual.)
In Amman
Amman Marriott
P.O. Box 926333 (tel: 60100; telex: 21145).
Ambassador
P.O. Box 19014 (tel: 65161/65384; telex: 1628).
Grand Palace
P.O. Box 6916 (tel: 61121; telex: 1292).
Holiday Inn
P.O. Box 6399 (tel: 63105/63100; telex: 21859).
Jordan Inter-Continental
P.O. Box 35014/15 (tel: 41361; telex: 21207/21267).
Middle East
P.O. Box 19224 (tel: 67169).
Philadelphia
P.O. Box 10 (tel: 25191; cable, Philadelphia).
The Regency Palace Hotel
P.O. Box 927000 (tel: 660000/15; telex: 22244/5).

**Taxis**
Metered, tipping is not usual.

**Car hire**
Local driving licence and insurance essential (nb, international licence only acceptable for own car).
Avis: P.O. Box 35010 (tel: 41350/44355; telex: 21363).
(Note: one-way rentals not possible out of country; travelling by hire car across borders needs special permit, except for Syria where law prevents any car hire.)
Amman airport
Avis: tel: 56347.

**Internal travel**
Air: regular flights Amman-Aqaba.
Rail: three classes on international route (Amman-Damascus); some railcar "charter" services are recorded between Amman-Aqaba.

**Banks**
Main centre: Amman.
Head offices: Arab Bank, Arab Jordan Investment Bank, Arab Land Bank, Cairo Amman Bank, Central Bank of Jordan, Housing Bank, Industrial Development Bank, Jordan Co-operative Bank, Jordan Gulf Bank, Jordan Kuwait Bank, Jordan National Bank, Petra Bank.
Foreign branches: Austrian Landerbank, Bank of Credit and Commerce International, British Bank of the Middle East, Chase Manhattan Bank, Citibank, Grindlays Bank, Rafidain Bank.
Banking hours: 0900-1300.
(exceptions: some services till 1400; Fri, closed).

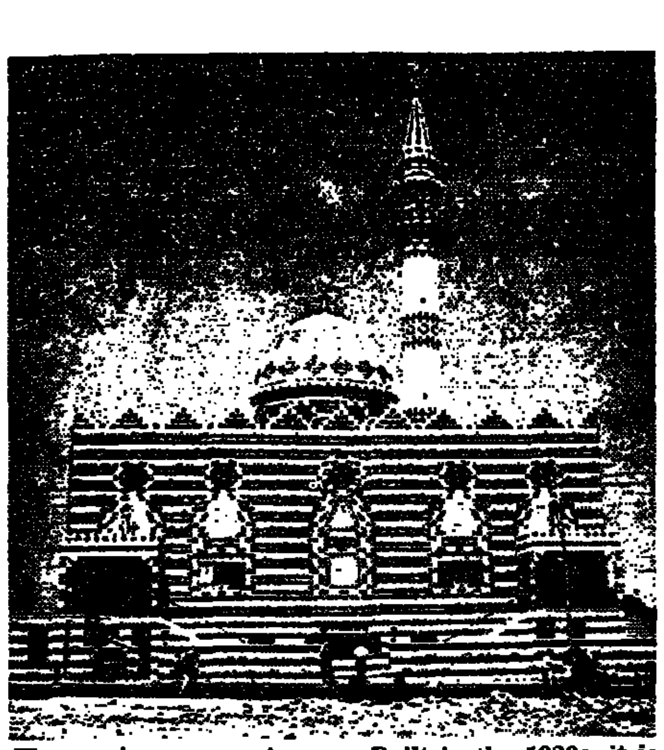
**Government and business hours**
Government offices: 0800/0830-1400/1430.
Commercial offices: 0800/0830-1300/1330, 1500/1530-1830/1930.
(exceptions: there is some seasonal variation, in winter hours may be later; Fri, closed).

**Tariff restrictions**
Restrictions: with a few exceptions control is by licence. Wheat, barley, arms and ammunition by special permit only. Prohibited: any trade contact with Israel.

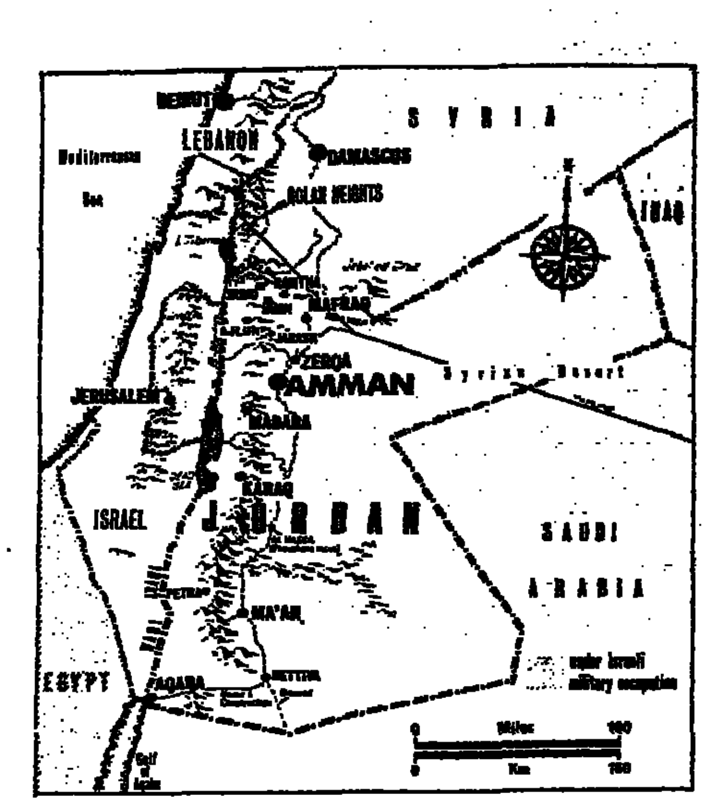
**Useful business addresses**
Amman Chamber of Commerce
P.O. Box 287, Amman (tel: 36132; telex 21543).
Amman Chamber of Industry
P.O. Box 1800, Amman.

**Embassies in capital**
Afghanistan, Bahrain, Belgium, Bulgaria, Chile, China PR, Czechoslovakia, France, German FR, Greece, India, Iraq, Italy, Japan, Korea PDR, Rep of Korea, Kuwait, Lebanon, Libya, Morocco, Oman.
Pakistan, Philippines, Poland, Qatar, Romania, Saudi Arabia, Spain, Sudan, Switzerland, Syria, Tunisia, Turkey, USSR, UAE, UK, U.S., Yemen AR, Yugoslavia.

**International headquarters**
Council of Arab Economic Unity, PO Box 92 5100, Amman.
United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) PO Box 484, Amman.



The gaudy mosque, Amman. Built in the 1930s, it is named after Sherif Hussein ibn Ali, the great grandfather of King Hussein




**Development plan**
Runs 1981-85; GDP annual growth target 10.4 per cent; equal private and public sector finance; investment: 21.7 per cent industry and mining; 16.6 per cent transport; 12.1 per cent water and irrigation; 12.1 per cent housing; 7.7 per cent education, culture and information; 7.7 per cent agriculture; 5.8 per cent electrical power; 3.3 per cent communications; 2.4 per cent health; 1.9 per cent tourism.

**Discourtesies**
It is polite to refrain from smoking in public during Ramadan.

**Main industries**
Phosphates: 1970 2.8m tonnes, 1980 3.9m tonnes (1980 third largest exporter—9.1 per cent of world exports, after Morocco 41.6 per cent, U.S. 33.2 per cent). Total reserves put at well over 1.5bn tonnes. New mine under study at Shidiya. Fertiliser factory at Aqaba due 1982.

Annual target output over 740,000 tonnes fertiliser, over 95,000 tonnes phosphoric acid. At same site a by-product of phosphoric acid production, fluosilicic acid to be processed into aluminium fluride (used in aluminium manufacture); due end-1983, capacity approximately 20,000 tonnes/year. Potassium chloride plant due 1982 — processing potash from Dead Sea (total output target around 1.2m tonnes).

Oil shale: Southern region (Hasa, Qatreneh) deposit estimated over 1.25m tonnes — estimated potential yield over 90 litres oil/tonne of shale. Exploration/study agreement signed 1981 (German FR/Jordan Natural Resources Authority).

Cement: 1979 production 623,000 tonnes — plant at Rashadiya (200 km south of Jordan) has target of nearly 2m tonnes/year; due late-1983; output mainly for export; patent process will be incorporated by main sub-contractor, Kobe Steel.

Manufacturing etc: clothes textiles, plastics, leather goods, refrigerators, prefabricated buildings, detergents, batteries, cigarettes, pharmaceuticals, iron.

**Agriculture**
Main arable area was situated on West Bank. 5.7 per cent of East Bank total area is cultivated arable. Rainfall is low (less than 200 mm/year) and variable and has marked influence on, particularly cereal yields—estimates as low as 145 kg/hectare have been Jordan Valley irrigated. Wadi Al Arab Dam (due 1984) will add 1,200 hectares.

**Imports**
Main sectors: food (eg cereals etc, processed food, meat/animal products, fruit, vegetables—probably 18-20 per cent of total value); machinery and transport equipment; crude petroleum, iron and steel etc; chemicals, textiles, clothing.
Main sources: Saudi Arabia (16 per cent of total value 1980, 11.8 per cent 1979); German FR (10 per cent 1980, 13 per cent 1978); U.S.A. (typically 7.5-8.5 per cent); UK (7.5-8.0 per cent); France (7.2 per cent 1980 from 3.6 per cent 1978); Japan (6.5-7.5 per cent); Italy (6.5-7.0 per cent); Spain, Greece, Netherlands.

**Exports**
Main sectors: phosphates (typically around 30 per cent of total value); fruit and vegetables (21-23 per cent, particularly tomatoes); cigarettes, olive oil and products, hides and skins, lentils, electrical accumulators/batteries.
Main destinations: Saudi Arabia (24-28 per cent); Syria (14-16 per cent); Iraq (5.4 per cent 1978, 15.4 per cent 1979); Kuwait, India, Turkey, China PR, Lebanon.

**Tourist notes**
Tourist facilities, archaeological sites are well-documented—literature is readily available and informative—includes 1:15,000 tourist map of Amman (shows, for example, archaeological sites). Alia inflight magazine Jordan has useful information on tours available, shopping, dining out, etc.

**Business Guide information from Middle East Review 1983, a country by country guide to the region published by World of Information, 21 Gold Street, Saffron Walden, Essex, CB10 1EJ. Tel.: 0799 21150. Telex 817197.**

# Archaeological sites boost potential

## Tourism

TWO CONFLICTING if ironic trends are at work in the Jordanian tourism and travel sector these days, resulting in a temporary flattening of tourism income but also laying the groundwork for sustained growth in the rest of this decade.

The irony is that while Jordan has enjoyed over a decade of internal stability and brisk economic growth that has seen considerable investment in the tourist infrastructure, regional conflicts well beyond the country's control continue to hamper the sustained increase in Western tourists that Jordan has shown it is capable of attracting and accommodating.

A burst of archaeological research during the past decade has shown that, for its size, Jordan is one of the world's most richly endowed treasure-houses of antiquity. Serious work on unearthing Jordanian archaeological sites, restoring and preserving them means the range of attractions for tourists will rise substantially during this decade.

Archaeological surveys and excavations have been taking place recently at a pace of around 30 projects every year under the aegis of the Jordanian Department of Antiquities but also in close co-operation with many foreign teams and research centres in Amman such as the British Institute at Amman for Archaeology and History, the American Centre of Oriental Research and similar French, German and Spanish institutes.

It is clear that Jordan is an area where mankind has lived continuously for at least the past 500,000 years, with an unbroken and rich archaeological record covering all the civilisations of the area since the Neolithic period, going back about 10,000 years. That this material is so easily accessible to residents and visitors, in a hospitable land with a lovely climate, reinforces the economic potential of the tourism sector.

Both the Government and the private sector have known this for years but only in the mid-1970s did a perceived potential start to be translated into facts on the ground.

In the past five years classified hotel rooms have doubled to reach 5,151, with a total of nearly 10,000 beds. Two-thirds of these are in the four- and five-star hotels demanded by tourists and business travellers.

The opening of the new Queen Alia international airport and the increase in airline services to Jordan, both by the national carrier, Alia, the Royal Jordanian airline, and foreign airlines means flying to Jordan is suddenly an easy and enjoyable task.

This improved infrastructure has been followed closely by an active marketing drive, spearheaded by the Tourism Ministry, that has recently also included Alia, the hotels and the flourishing travel agency sector, which now includes some 200 private travel agents and tour operators. The most important factor in attracting tourists to Jordan has always been the lure of the Holy Land sites of Jerusalem and Bethlehem on the West Bank, occupied since 1967 by Israel. In recent years, however, a major success has been the development of Jordan as a destination in itself.

This has started to show itself in the travel statistics. Visitors to Jordan increased steadily in the middle and late 1970s, as did income from tourism. Last year, however, the travel sector registered a drop in European and North American visitors—the result of jitters about the Israeli invasion of Lebanon, the Iran-Iraq war, economic recession in the West, heightened global political tension and the Israeli policy of not allowing tourists to Jordan to cross into the Holy Land and return home via Amman.

Thus while total "visitors" to Jordan increased by 31 per cent to reach just over 2m last year, the number of "real" tourists from the West dropped by nearly 30 per cent. The overall increase in visitors is explained by the nearly 1m Egyptian workers who passed through Jordan en route to jobs in Iraq. Travel revenues last year also fell by about $150m to $400m.

Statistics from the first months of this year, however, indicate that Western tourists are coming to Jordan again in increasing numbers, mainly via all-inclusive tours that typically combine stays of equal lengths in Jordan and in the West Bank Holy Land cities.

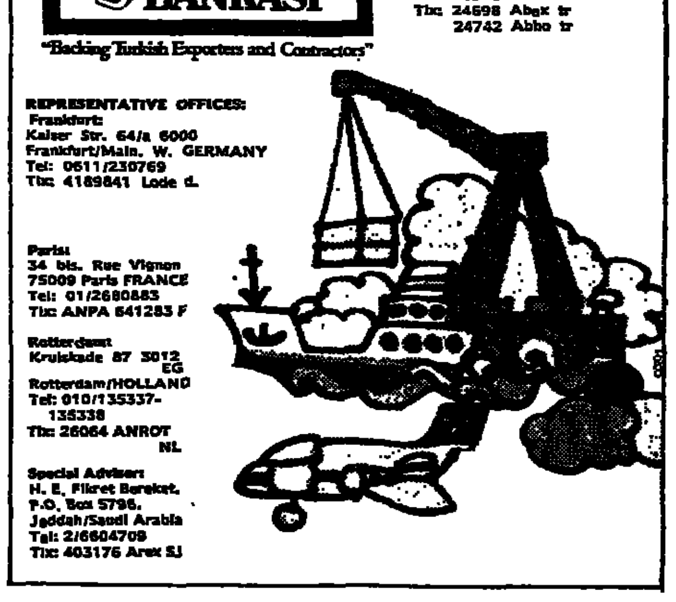
European tourists now spend an average of one week in Jordan, while North Americans spend an average of four nights in the country, nearly double the average stays of a decade ago.

Improved facilities at the country's leading attractions—Jerash, Petra and Aqaba—suggest that foreign tourists will continue to stretch out their stays in Jordan.

The sharp increase in interest by Jordanian travel agencies in attracting tour groups from abroad is also a key element in the upturn in tourists. Tourism Ministry officials expect the number of real tourists to Jordan to return this year to its 1981 level of some 250,000, about 20 per cent of whom would also cross into the West Bank to visit the Holy Land attractions now that the bridge across the Jordan to the Holy Land sites is open again to two-way tourist traffic from Jordan.

**Rami Khouri**





# TECHNOLOGY

EDITED BY ALAN CANE



SCIENTISTS IN THE UK ARE TO SEEK FUNDS FOR RESEARCH INTO NEW TYPES OF ELECTRONIC CIRCUITRY

## Britain makes its case for new physics

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITISH SCIENTISTS are preparing their case for a large government investment in a *new kind of physics*, which they believe could be the basis of supercomputers and chips in the next century.

This autumn the science board of the Science and Engineering Research Council will consider a proposal for equipping perhaps as many as ten chosen universities with the costly tools needed to make and study low dimensional structures (LDS).

LDS is a term coined by British scientists to describe what they see as "a totally new realm of physics," comparable in importance with the emergence of nuclear physics in the 1930s. Even the physics which led to the maser and laser in the 1950s was a *smaller step* forward, they say.

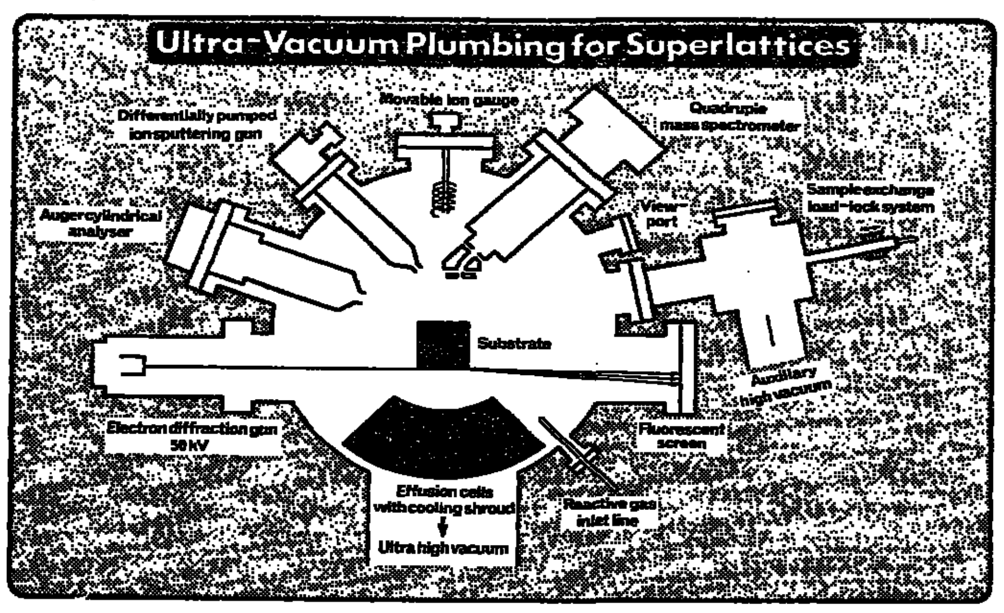
They see the new physics of LDS as the foundation of semiconductor engineering in the next century. American, Japanese, and German scientists have already recognised this, and are investing in the novel research facilities needed.

Britain has no such facilities at present, and what British science is being done on LDS uses material obtained on a "grace and favour" basis from colleagues abroad. That is no basis for international scientific collaboration in an exciting new science, and no way of underpinning the needs of British industry in the future, they say.

Industry has already begun to nibble at the possibilities

> "The exciting thing is that for the first time it forms what I call a tailorable material"

of LDS. Such techniques as molecular beam epitaxy and metal organic chemical vapour deposition are used experimentally to produce extremely thin layers of semiconductor—effectively two-dimensional materials. The properties of these extremely thin films—of atomic dimensions—are quite different from those of both semiconductors.




This is the complicated equipment needed to produce superlattice structures.

For example, Sadia National Laboratories in Albuquerque, New Mexico—operated by Bell Laboratories for the Department of Energy—has recently invented the "strained-layer superlattice." Sandia's scientists have shown how to make diodes by depositing layers of semiconducting compounds which at greater thickness would be incompatible in crystal structure.

But layers of gallium arsenide, gallium phosphide and many more complex compounds "behave like rubber" at thicknesses of just a few atoms, says Dr Roger Chaffin, head of semiconductor research at Sandia.

> One industrial view of superlattices is that, so costly and time consuming it is to fully characterise a semiconductor, that the LDS is a highly attractive way of short circuiting this process.

"The exciting thing is that for the first time it forms what I call a tailorable material," Dr Chaffin says. Such superlattices are not going to oust silicon from its present preeminent role. "But when you want the world's best it will be semiconductor X." The nine semiconducting compounds afford an almost infinite number of combinations, in stacks of perhaps 100 or more layers, to tailor precisely the combination of properties required.

With super lattices, mismatch between the structure of substrate and semiconductor is no longer a problem. Sandia's experience is also that any faults in the deposited layers tend to "fade away" as the layers pile up, leaving a highly ordered crystal structure. Even so, it remains a low dimensional structure—5,000 layers only 20 atoms deep would be no thicker than this page.

In Britain, several groups are beginning to make superlattices by these two techniques. Philips Research Laboratory at Redhill is among the leaders with its silicon hot-election transistor. City Polytechnic in London enjoys the advantage of having Dr Leo Esaki, "father" of the superlattice concept, as a consultant for its research.

When Dr Esaki first proposed the superlattice in the early 1970s, the technology was not available to make such structures, says Dr Cyril Hilsum, chief scientist of GEC. When it became available, the properties Dr Esaki had predicted failed to appear.

But others "at least as advantageous" began to appear instead. Growth of interest since 1970 has been exponential—last year 500 papers were published on molecular beam epitaxy, Dr Hilsum estimates.

One industrial view of superlattices is that, so costly and time consuming is it to fully characterise a new semiconductor—in the way silicon and gallium arsenide have been characterised in the last 25 years—that the LDS is a highly attractive prospect for short-circuiting this process, by "tailoring" precisely the electronic properties being sought.

But the physicists' case is that the existing and planned facilities for making novel semiconductor devices—such as two machines ordered for GEC's Hirst Research Centre—do not have the flexibility and analytical power they will need to investigate a new kind of physics.

## What low dimensional structures are

The basic physics of integrated circuits was worked out in the 1930s and 1940s by such scientists as Nevill Mott, William Shockley and John Bardeen. Not until the 1970s, however, was the technology ripe for the take-off of mass-produced chips.

But the physics of semiconducting materials breaks down below certain dimensions—typically, with films in the region of 100-1,000 angstrom thick. In the past two or three years the physicists have been able to develop ultra-high vacuum systems permitting the growth of pure and uniform layers as thin as 5 angstrom—truly atomic dimensions. It calls for vacua as hard as 10-11 mm to maintain near-perfect purity and order in the deposited atoms.

Typically, an LDS is a "club sandwich" of such atomic layers deposited with great precision on a semiconducting substrate. The Cavendish Laboratory and the engineering department at Cambridge University are working with GEC on a proposal to develop a novel electron-beam research tool to make specimens to order for the physicists.

The sandwichs assembled in this way appear to be *quite different* from any known today, with properties far removed from those of their component layers in bulk. Not only semiconducting effects have been observed—novel optical and superconducting properties are beginning to excite the scientists' interests, and even biological activity can be induced. Visible laser light emission has been demonstrated by Bell Laboratories and others.

Three years ago a German scientist aroused what one British professor present calls a "very emotional response" at a conference in Japan when he proposed LDS as a way of refining the notoriously imprecise Hall effect, so that it might be used to measure certain physical constants more accurately. He turned out to be right.

The quantum Hall effect, discovered by K. von Klitzing, has altered the scientific community to a whole new field of physics. A paper in the first issue of a new journal, the GEC Journal of Research, describes the quantum Hall effect and its application to provide a new and more accurate resistance standard as a "crowning achievement" of the new physics.

Dr Michael Kelly, the author, works for the Long Range Research Laboratory of GEC. He works closely with the man regarded as Britain's foremost authority on LDS, Dr Michael Pepper at the Cavendish Laboratory. Dr Pepper is a GEC research scientist virtually seconded to the university.

Dr Kelly concludes his paper: "The real promise of research in the 1980s is the advent of devices operating entirely on quantum principles. Few ground rules for their operation have been established, and surprises can be expected." The Science and Engineering Council's initiative intends that British scientists shall help to establish those rules.

Research

## Self-sharpening cutter from G.E.

RESEARCH at the Schenectady R&D Centre of General Electric (U.S.) has resulted in a design of cemented tungsten carbide cutting tool that is in effect *self-sharpening*, says the company.

The tool's self-sharpening abilities are due to "micro-chipping" which results from its "ledge" shape. As the tool wears microscopic pieces of ledge chip off in conical sections, creating sharp, clean edges that continue to remove metal efficiently.

The tool is said to be particularly effective with titanium alloys; these are difficult to machine because they react chemically with commercial tool materials at the elevated temperatures and pressures *generated in high* speed machining. The tool material becomes unstable to give very rapid wear.

The same thing tends to happen with the GE "ledge" shape but the geometry keeps the tool sharp as it wears back. Tests have shown that titanium can be turned and face-milled at speeds of 600 to 800 feet/min—four to five times faster than normal. The useful cutting time for the ledge is about 30 minutes, and the tool is made with ledges on all four sides. More from the company at PO Box 8, Schenectady, New York 12301. (518) 385 8515.

Electronics

## NEL data modules

THE National Engineering Laboratory at East Kilbride has developed a new hardware concept which it believes will have serious implications for the supply of software to microcomputer users.

It has developed a prototype data module consisting of a 16 bit processor and memory so that it can be coupled to a dumb terminal for access to data stored in databases at a fraction of the cost of tapping into mainframe computers.

The work was developed in conjunction with the Institution Chemical Engineers, for use in the process industry. The NEL says that the advantage of its development is that it allows the user to retain almost all the memory area on the machine to run his own programs, and it places no restrictions on the software language he selects for his design program.

More information about the concept can be obtained on 03552 20222.

Copiers

## Nashua's machine

NASHUA HAS launched a range of three dry toner copiers using microprocessor control to give simple, efficient and reliable operation.

At the top of the range is the model 4310 which can produce copies in A3, A4 and A5 sizes and with reduction/magnification from 70 to 115 per cent.

Dual paper cassettes make it easier to shift from one paper size to another and the machine has a "straight through" paper path which minimises jamming, with easy access to clear a paper jam in the unlikely event of one occurring.

Warm up time is less than three minutes and the first copy time is about seven seconds.

There is even a "job interrupt" button: a long job interrupted for an emergency copying session can be returned to without having to remember how many copies have been made to date. More on 0344 26555.

# INSURANCE AND WEEK IN THE COURTS

## COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN
TOPPAN PRINTING CO., LTD.

Further to our notice of May 13 1983, EDR holders are informed that Toppan Printing has paid a dividend to holders of record May 31, 1983. The cash dividend payable is Yen 4.5 per Common Stock of Yen 50.00 per share. Pursuant to Clause 8 of the Terms and Conditions the Depositary has converted the net amount after deduction of Japanese withholding taxes, into United States dollars.

EDR holders may now present Coupon No. 3 for payment to the undermentioned agents.

[illegible]

| | | | |
|---|---|---|---|
| A.R. of Egypt | F.R. of Germany | The Netherlands | Spain |
| Australia | Finland | New Zealand | Sweden |
| Belgium | France | Norway | Switzerland |
| Brazil | Hungary | Rep. of Korea | United Kingdom |
| Canada | Ireland | Romania | U.S. of America |
| Czechoslovakia | Italy | Singapore | Zambia |
| Denmark | Malaysia | | |

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Depositary: CITIBANK, N.A. 336, Strand, London WC2R 1HB — Agent: CITIBANK (LUXEMBOURG) S.A. 16 Avenue Marie Therese
September 26, 1983.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN
FUJITEC CO., LTD.

NOTICE IS HEREBY GIVEN that [illegible]

CITIBANK, N.A., London, Depositary.
September 26, 1983.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS
SHARP CORPORATION

NOTICE IS HEREBY GIVEN that [illegible]

CITIBANK, N.A., London, Depositary.
September 26, 1983.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN
ASAHI GLASS CO., LTD.

Further to our notice of June 17, 1983, EDR holders are informed that Asahi Glass has paid a dividend to holders of record June 30, 1983. [illegible]

EDR holders may now present Coupon No. 4 for payment to the undermentioned agents.

[illegible]

| | | | |
|---|---|---|---|
| A.R. of Egypt | F.R. of Germany | The Netherlands | Spain |
| Australia | Finland | New Zealand | Sweden |
| Belgium | France | Norway | Switzerland |
| Brazil | Hungary | Rep. of Korea | United Kingdom |
| Canada | Ireland | Romania | U.S. of America |
| Czechoslovakia | Italy | Singapore | Zambia |
| Denmark | Malaysia | | |

[illegible]

Depositary: CITIBANK, N.A. 336, Strand, London WC2R 1HB — Agent: CITIBANK (LUXEMBOURG) S.A. 16 Avenue Marie Therese
September 26, 1983.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN
MINEBEA CO., LTD.

NOTICE IS HEREBY GIVEN that [illegible]

CITIBANK, N.A., London, Depositary.
September 26, 1983.

NEWFOUNDLAND MUNICIPAL FINANCING CORPORATION
U.S.$35,000,000
9½% 1976/1988 Bonds

[illegible]

KREDIETBANK S.A. Luxembourgeoise
Luxembourg, September 26, 1983.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN
KOMATSU LTD.

EDR holders are informed that Komatsu Ltd. has paid a dividend to holders of record June 30, 1983. [illegible]

| | | | |
|---|---|---|---|
| A.R. of Egypt | F.R. of Germany | The Netherlands | Spain |
| Australia | Finland | New Zealand | Sweden |
| Belgium | France | Norway | Switzerland |
| Brazil | Hungary | Rep. of Korea | United Kingdom |
| Canada | Ireland | Romania | U.S. of America |
| Czechoslovakia | Italy | Singapore | Zambia |
| Denmark | Malaysia | | |

[illegible]

Amounts payable in respect of current dividends.

| Coupon No. 28 EDR denomination | Gross Dividend | Dividend payable less 15% Japanese withholding tax | Dividend payable less 20% Japanese withholding tax |
|---|---|---|---|
| 1 share | $0.016261 | $0.013821 | $0.013008 |

Depositary: CITIBANK, N.A. 336, Strand, London WC2R 1HB
September 26, 1983.

OFFICIAL NOTICE

[illegible]
348929 - 567 ingots - 25.059 Kilos
348930 - 567 ingots - 24.925 Kilos
348931 - 567 ingots - 25.353 Kilos
Anyone claiming to be entitled to these goods is invited to enter protest by means of Summons against the delivery of the goods, or the issue of duplicate Warrants.
C. STEINWEG N.V.
P.O. Box 1068, Willemskade 20, Rotterdam 3, Netherlands.

# Mortgage changeover doubles life business

BY ERIC SHORT

THE GOVERNMENT has yet again turned out to be the life companies' best salesman.

The introduction of the state earnings-related pension scheme in 1978 led to a massive upsurge in company pension business. This year the changeover to MIRAS—Mortgage Interest Relief at Source—has resulted in unprecedented growth in conventional life business in the first six months.

Figures issued by the three life associations, Life Offices Association, Associated Scottish Life Offices and Industrial Life Offices Association, show that new annual premiums on ordinary life business more than doubled in the first half from £185m to £429m.

Under Miras, householders pay their mortgage interest net of basic rate tax instead of paying interest gross and having their PAYE tax code adjusted. That change has meant that in many cases it is more advantageous to repay a mortgage by *an endowment policy from a* life company than by the normal repayment method.

The associations are not prepared to disclose sales figures for mortgage-related endowments. However, the results from individual life companies transacting conventional life business show that all have benefited from Miras, even those companies which did not have any special arrangement with building societies.

For some life companies which had direct building society connections, the new business growth was phenomenal. For example, Scottish Amicable Life Assurance Society saw annual premiums on its mortgage-related business rise sevenfold over the period from £2.3m to £16m. Yorkshire General Life Assurance Company premiums climbed four and a half times from £1.6m to £7.54m.

Other companies with no direct connection still did well. Equity and Law Life Assurance Society showed a threefold increase in mortgage-related *premiums to £3.6m and Equitable Life doubled its premiums* to £4.6m.

The traditional life companies will be more than pleased with these results. Miras has breathed new life into what has been a comparatively dull sector of the market over the past few years. Last year, new annual premiums on conventional business rose only 6.6 per cent.

Such growth in mortgage-related business is primarily a once-off effort, as householders converted their existing mortgage repayments with the introduction of Miras. There will be, however, a longer term effect in that two-fifths of householders taking out new mortgages are using life policies to repay the loan—double the pre-Miras proportion.

This revival in conventional life business has not affected the buoyancy of unit-linked life business. Sales of single premium linked bonds more than doubled in the first six months of this year from £286m to a record £639m. The new style *Inheritance* Trust schemes, used to mitigate capital transfer tax, have proved extremely popular.

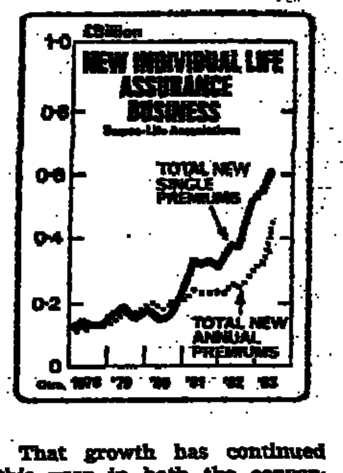
The new unit-linked life companies continue to forge ahead, but the feature of the period has been the growth in unit-linked business of the traditional life companies.

Those companies made substantial increases in their commission rates on single premium bonds at the beginning of the year after the termination at the end of last year of the old commission agreement.

Linked life single premiums of Legal and General rose sevenfold to £74m, Sun Life Assurance's sales more than tripled to £25m.

Linked-life annual premium business continues to grow strongly. That type of business is far more stable than single premium and annual premiums increased by more than 40 per cent to £141m in the first half.

The Government has been good for self-employed pensions business by widely extending the tax concessions available. Thus life companies have seen their self-employed pensions business grow steadily since 1980.




That growth has continued this year in both the conventional and unit-linked sectors. New annual premiums over the period advanced 11 per cent to £98m, while single premiums climbed by one-third to £192m.

The one dull spot in new life business remains the industrial life sector-business.

# British Airways' mis-directed flight to the courts

THE FAILURE of British Airways to challenge in the courts the decision of the Civil Aviation Authority to grant British Midland Airways a licence to operate a competing scheduled service between London and Belfast contained one very important lesson. Where parliament has provided an alternative remedy to going to law in order to challenge an administrative decision, the courts will not entertain—at least, not in the initial stages of a dispute—an application which would circumvent parliament's intention.

British Airways, instead of rushing off to the courts during the law vacation to reverse the authority's decision, was roundly told by Mr Justice Woolf that the proper route of objection was for the airline to appeal against an adverse decison to the Transport Secretary.*

When Parliament passed the Civil Aviation Act 1971 (now the Civil Aviation Act 1982), it gave the power initially to the Civil Aviation Authority to decide whether to grant or refuse an air transport licence to an applicant airline. In making its decision, the authority is bound to furnish its *reasons for the decision to the* applicant and to any other person who has entered an objection, or to anyone who has asked for the statement.

Parliament then went on to give the power to the Secretary of State to make regulations to confer on designated persons a right of appeal to the secretary from any decision of the CAA. The Secretary of State is further empowered to reverse or vary CAA decisions. Parliament stated that, when considering any appeal to him or her, the secretary must have regard to the duties empowered on the CAA.

That duty is two-fold. It must secure that British airlines provide air transport services which satisfy all substantial categories of public demand, at the lowest charges consistent with a high standard of safety and an economic return to efficient operators, and with securing a sound development of the civil air transport industry. It must also look to the reasonable interests of the consumers of air transport.

The main complaint by British Airways was that undue weight had been given by the CAA to the desirability of competition and too little attention to the interests of the operator on the route, namely, British Airways. The judge thought that the CAA had not transgressed *its functions and had* balanced the benefits of competiton against the price which will be paid by the incumbent carrier, British Midland Airways. In any event, it was for the Transport Secretary, not the court, to judge the soundness of CAA's decision.

The basic rule of the courts has been to say that they will decline to intervene in an applicant's favour if a specific alternative remedy is "equally convenient, beneficial and effectual." In former times the courts said that the alternative remedy must be a legal remedy—that is, one that can only be dispensed by a court. The Minister is not a judge or a court of law.

In recent times the courts have departed from that strict rule and have considered that a ministerial adjudication is sufficient. If Parliament has specifically provided a particular mode of appeal, the general rule of non-intervention does not cease to have effect because the prescribed remedy is of an extra-judicial character.

The crucial question is whether the courts are wise to take the parliamentary alternative as the last word on the subject of an adequate remedy and wait to see whether the Secretary gets the law wrong.

If the question before the courts is merely whether the *decision* made by the public authority is, on the evidence, correct then the courts are no better placed to make that decision than a Secretary of State. Indeed, they must not put their views in place of the Minister's. But, where the allegation *is* that the public authority departed from the approach laid down by statute, or the decision was one which no reasonable minister could make, the court is then, and only then, bound to intervene.

The Minister is of course, just as much bound by the law as stated by the Act of Parliament as the judge is. But, often *in such cases where there are* two perfectly reasonable ways to view the particular question, the Minister inevitably will see the matter through political spectacles. And where, as in the present case, the issue is between competition in the air transport industry over the interests of the public, a Conservative Minister may well lean towards the former approach.

At the very least, it might be argued that the statutory procedure of appeal to the Minister should be pursued before the aggrieved party comes to the courts. First, it might be that the Minister will agree that the public authority has gone wrong in coming to its decision.

If he does, and the decision *is reversed by the Minister, a* great deal of expense is saved, because resort to the courts will have become unnecessary. If, on the other hand, the Minister endorses the decision of the public authority, the aggrieved party will still be able to challenge in the courts by the recognised rules of judicial review, both rulings. It was no *doubt with these considerations* that led Mr Justice Woolf to tell British Airways to go to the Minister first before flying to the courts.

British Airways contended that its recourse to the courts first was to obtain a proper interpretation of the statutory powers, so that both public authority and Minister would know how to apply the relevant law to the instant problem. Even if there is some virtue in that approach, there is no presumption that the two authorities would not apply the law correctly.

Now that British Airways has been directed judicially towards a *ministerial* appeal, it will likely heed the warning and defer any further approach to the courts, if and when the Minister supports the CAA. Thus the courts will have asserted their role, not as a forum to be resorted to whenever an adverse decision is made, but only as a long-stop when all else has been exhausted by way of a remedy for a breach of statutory duty.

* *Financial Times, September 22, 1983, p.1.*

# CONTRACTS AND TENDERS

"NOTICE TO MANUFACTURERS & CONSTRUCTION CONTRACTORS"

## YEMEN GENERAL ELECTRICITY CORPORATION

### SANA'A, YEMEN ARAB REPUBLIC RURAL ELECTRIFICATION POWER III PROJECT MATERIAL & EQUIPMENT AND ENGINEERING/CONSTRUCTION

Sealed Bids will be received by the Yemen General Electricity Corporation at the Office of The Chairman, or P.O. Box 1892, Sana'a, Yemen Arab Republic until 10.00 a.m. Yemen time, on March 10, 1984 and then publicly opened for the following two Tenders:

1. Furnishing and delivering CIF to Hodeidah, Yemen Arab Republic materials and equipment, and
2. Final engineering and construction.

The materials and equipment supplied for No. 1 above will be used by the successful Bidder in No. 2 above to construct approximately 70 km of 33 kV line, 4 33/11 kV substations, 190 km of 11 kV line, 400 km of LV circuit, 8 MVA of distribution transformers installations and 6,000 services.
The Documents for Materials include approximately 20 schedules, each for different materials, of which a supplier may bid any one or more complete schedules.
Bid Documents for the Materials will be available December 15, 1983. Prequalification Documents for the Engineering and Construction are available.
Documents can be obtained from the Consultant, NRECA International, Ltd., P.O. Box 1892, Sana'a, Yemen Arab Republic, or at 1800 Massachusetts Avenue, N.W., Washington, D.C. 20036, U.S.A., upon payment to the Consultant of U.S. Dollars 100.00 per set per tender, non-refundable, and specifying whether material or prequalification documents are requested. Proposals will only be considered from Bidders to whom documents are issued.
Yemen General Electricity Corporation has a credit from the International Development Association in various currencies equivalent to approximately U.S. Dollars 19,100,000 toward the cost of the Electrification Power III Project and intends to apply the proceeds of this credit to eligible payments under the Contracts for which this invitationis issued and other Contracts. The origin of the goods and services shall be limited to IDA Member Countries, Switzerland and Taiwan.
Yemen General Electricity Corporation reserves the right to waive minor irregularities in any bid, and to reject any or all bids.

THE SYRIAN JORDANIAN COMPANY FOR INDUSTRY
INVITATION FOR THE PREQUALIFICATION OF CONTRACTORS

The Syrian Jordanian Company for Industry (SJCI) intends to acquire the services of a competent international contracting firm to implement a Pesticides Formulation Plant in Syria on Turn Key basis (Civil Works, supply and erection of machinery, start-up and commissioning, maintenance and guarantee etc.) with production capacity of about 4,000 tons/year on one shift operation. SJCI invites highly qualified contracting firms to submit two copies of documents and brochures which should include, but not be limited to, the following:
* Detailed statement giving resources, capabilities and experience of the firm
* [illegible]

[illegible]

## REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

*(Algerian Popular Democratic Republic)*

MINISTERE DE L'ENSEIGNEMENT ET DE LA RÉCHERCHE SCIENTIFIQUE
*(Ministry for Education and Scientific Research)*

DIRECTION DE L'INFRASTRUCTURE ET DE L'EQUIPEMENT UNIVERSITAIRE
*(Directorate for University Infrastructure and Equipment)*

SOUS-DIRECTION DES MARCHES ET CONTRATS
*(Sub-Directorate for Purchases and Contracts)*

NOTICE OF POSTPONEMENT OF DEADLINES

The companies and enterprises interested in Call for Tenders No 15/83 "SDMC" with respect to the purchase of scientific equipment for the Pedagogic Chemistry Labs of the University of Constantine, which was published in the national daily newspaper "El-Moudjahid" on 6 August 1983, are hereby informed that the final date for receipt of offers, which was originally specified as 6 August 1983 has now been postponed until 21 October 1983.

## REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

*(Algerian Popular Democratic Republic)*

MINISTERE DE L'ENSEIGNEMENT ET DE LA RECHERCHE SCIENTIFIQUE
*(Ministry for Education and Scientific Research)*

DIRECTION DE L'INFRASTRUCTURE ET DE L'EQUIPEMENT UNIVERSITAIRE
*(Directorate for University Infrastructure and Equipment)*

SOUS-DIRECTION DES MARCHES ET CONTRATS
*(Sub-Directorate for Purchases and Contracts)*

NOTICE OF POSTPONEMENT OF DEADLINES

The companies and enterprises interested in Call for Tenders No 9/83 "SDMC" with respect to the supply of physics equipment for the Institute of Physics of the U.S.T.H.B. which was published in the national daily newspaper "El-Moudjahid" of 17 July 1983, are hereby informed that the final date for receipt of offers, which was originally specified as 17 September 1983 has now been postponed until 2 October 1983.

## REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

*(Algerian Popular Democratic Republic)*

MINISTERE DE L'ENSEIGNEMENT ET DE LA RECHERCHE SCIENTIFIQUE
*(Ministry for Education and Scientific Research)*

DIRECTION DE L'INFRASTRUCTURE ET DE L'EQUIPEMENT UNIVERSITAIRE
*(Directorate for University Infrastructure and Equipment)*

SOUS-DIRECTION DES MARCHES ET CONTRATS
*(Sub-Directorate for Purchases and Contracts)*

NOTICE OF POSTPONEMENT OF DEADLINES

The companies and enterprises interested in International Calls for Tender Nos 10/83, 11/83, 12/83, 13/83 and 14/83 which were published in the national daily newspaper "El-Moudjahid" on 12 July 1983, are hereby informed that the final date for *receipts of offers ,which was originally specified as 12/09/83* has now been postponed until 27 September 1983.

## REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(ALGERIAN POPULAR DEMOCRATIC REPUBLIQUE)

### Ministere des Transports et de la Peche

(MINISTRY OF TRANSPORT AND FISHING)

### Societe Nationale des Transports Ferroviaires

(NATIONAL RAIL TRANSPORT COMPANY)

CALL FOR PRESELECTION OF COMPANIES FOR THE SURVEY OF A RAILWAY LINK

The "Société Nationale des Transports Ferroviaires [National Rail Transport Company] (SNTF) is proposing to launch a feasibility study for a railway line linking the North and the extreme South of the country (a distance of 2,000 km).

The companies interested in carrying out this study should send their references, within the 60 days with effect from the date this notice is published, to the following address:

Société Nationale des Transports Ferroviaires (SNTF)
Direction Générale
21, 23 Boulevard Mohamed — V — Algeria

## SYRIAN ARAB REPUBLIC

### INDUSTRIAL COMPLEX

The Management for the Project of Development of the Paints and Chemical Industries Co., Box 1276, Damascus, telex PCI 411299 SY, re-invites tenders for construction and equipment of an industrial complex consisting of the following units:

1. **Unit for production of alkyd resin.**
2. **Unit for production of white glue (P.V.A. polyvenyl acetate).**
3. **Plant for production of plastic, industrial and oil paints.**

Please refer to page 3 of this Bulletin's issue 4491 of 13.5.83, to Baath daily's issue 6178 of 16.5.83, to Thawra daily's issue 6201 of 18.5.83 and to Tishrin daily's issue 2250 of 17.5.83. Deadline postponed from 1.10.83 to 20.12.83.

Wherever contained in the book of conditions, the words "polyvenyl acetate" should read P.V.A. and polyacrylate (hompoplymer - acrylate - maleat - versetat). Other conditions remain unaltered. The project management shall send a copy of this extension to all tenderers who have bought the book of technical conditions.

WANDSWORTH BOROUGH COUNCIL

**Installation of central heating and hot water systems at Wimbledon**

Contractors wishing to be considered for selection to tender for the installation of individual gas fired boilers serving radiators and domestic hot water in 190 flats situated in blocks of various heights at William Willison Estate, London, SW19, should submit names to the Director of Administration, Room 111, The Town Hall, Wandsworth High Street, London SW18 2PU, by 6th October 1983.

The work will involve the removal of the existing electrical warm air heating and the installation of the new heating systems, together with domestic hot water systems.

Applicants must submit details of labour, technical and supervisory staff available together with the names and addresses of two technical and two financial referees, unless this information has already been provided for a similar contract within the last 12 months.

It is anticipated that specifications and drawings will be issued in mid-October to selected contractors and that the contract will commence in December 1983.

The engineering design services for this scheme will be provided by the Council's appointed Consultant Engineers, Messrs. Brian Colquhoun and Partners, 22 Upper Grosvenor Street, London, W1.

CONTRACTS & TENDERS ADVERTISING APPEARS EVERY MONDAY THE RATE IS £30.00 PER SINGLE COLUMN CENTIMETRE

## COMPANY NOTICES

30,000,000
EUROPEAN COMPOSITE UNITS
EUROPEAN INVESTMENT BANK
8¾% BONDS OF 1973 DUE 1988

NOTICE IS HEREBY GIVEN that the amount to become due against coupon No. 10 dated 27th September 1983 from the above bonds is DM 197.985 per coupon.

Furthermore a nominal amount of Eurco 1,000,000 was purchased for the account of the E.I.B. during the period September 27, 1982 to September 26, 1983, the amount outstanding on September 27, 1983 is Eurco 26,819,000.
EUROPEAN INVESTMENT BANK

FRAB-BANK INTERNATIONAL
U.S.$25,000,000
Floating Rate Notes 1978-1985

According to the terms and conditions of the abovementioned Notes the interest rate applicable for the interest period of six months beginning September 23, 1983 and ending March 22, 1984, has been fixed at 10¼% per annum
BANQUE INTERNATIONALE A LUXEMBOURG
Societe Anonyme
Trustee

URUGUAY 5 PER CENT CONVERSION GOLD LOAN 1965
AND
URUGUAY 5 PER CENT PUBLIC WORKS LOAN 1909

Williams & Glyn's Bank plc hereby give notice that they have received instructions from the Banque de Paris et Des Pays-bas, S.A. Paris to pay at par all outstanding bonds of the above loans on 1.10.83 from which date interest will cease to accrue. Bonds should be presented for payment at the offices of Williams & Glyn's Bank plc, 5-10 Great Tower Street, London, EC3.

## PERSONAL

SKETCH PORTRAIT ARTIST, experienced all nationalities, available to entertain guests at social or business meetings, charcoal 20 mins, colour 30 mins. Fixed fee per session. Tel. R. Bacon. 01-708 7307 (8-9 am).

## CLUBS

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189 Regent St. 01-734 0557.

## ART GALLERIES

BROWSE & DARBY, 19 Cork St. W1. 01-734 7984. MATTHEW SMITH—PAINTINGS to Oct. 22.

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Financial Times
10, Cannon Street, EC4P 4BY

# WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 9½% | Heritable & Gen. Trust | 9½% |
| Al Baraka International | 9½% | ■ Hill Samuel | § 9½% |
| Allied Irish Bank | 9½% | C. Hoare & Co. | † 9½% |
| Amro Bank | 9½% | Hongkong & Shanghai | 9½% |
| Henry Ansbacher | 9½% | Kingsnorth Trust Ltd. | 11 % |
| Arbuthnot Latham | 9½% | Knowsley & Co. Ltd. | 10 % |
| Armco Trust Ltd. | 9½% | Lloyds Bank | 9½% |
| Associates Cap. Corp. | 9½% | Mallinhall Limited | 9½% |
| Banco de Bilbao | 9½% | Edward Manson & Co. | 10½% |
| Bank Hapoalim BM | 9½% | Meghraj and Sons Ltd. | 9½% |
| BCCI | 9½% | Midland Bank | 9½% |
| Bank of Ireland | 9½% | ■ Morgan Grenfell | 9½% |
| Bank Leumi (UK) plc | 9½% | National Bk. of Kuwait | 9½% |
| Bank of Cyprus | 9½% | National Girobank | 9½% |
| Bank of Scotland | Ω 9½% | National Westminster | 9½% |
| Banque Belge Ltd. | 9½% | Norwich Gen. Tst. | 9½% |
| Banque du Rhone | 10½% | R. Raphael & Sons | 9½% |
| Barclays Bank | 9½% | P. S. Refson & Co. | 9½% |
| Beneficial Trust Ltd. | 10½% | Roxburghe Guarantee | 10 % |
| Bremar Holdings Ltd. | 9½% | Royal Trust Co. Canada | 9½% |
| Brit. Bank of Mid. East | 9½% | Standard Chartered | ‖ 9½% |
| ■ Brown Shipley | 10 % | Trade Dev. Bank | 9½% |
| CL Bank Nederland | 9½% | TCB | 9½% |
| Canada Perm't Trust | 10½% | Trustee Savings Bank | 9½% |
| Castle Court Trust Ltd. | 10 % | United Bank of Kuwait | 9½% |
| Cayzer Ltd. | 9½% | United Mizrahi Bank | 9½% |
| Cedar Holdings | 10 % | Volkskas Intnl. Ltd. | 9½% |
| ■ Charterhouse Japhet | 9½% | Westpac Banking Corp. | 9½% |
| Choulartons | 10½% | Whiteaway Laidlaw | 10 % |
| Citibank Savings | ¶ 10½% | Williams & Glyn's | 9½% |
| Clydesdale Bank | 9½% | Wintrust Secs. Ltd. | 9½% |
| C. E. Coates | 10 % | Yorkshire Bank | 9½% |
| Comm. Bk. of N. East | 9½% | | |
| Consolidated Credits | 9½% | | |
| Co-operative Bank | * 9½% | | |
| The Cyprus Popular Bk. | 9½% | | |
| Duncan Lawrie | 9½% | | |
| E. T. Trust | 10 % | | |
| Exeter Trust Ltd. | 10½% | | |
| First Nat. Fin. Corp. | 11½% | | |
| First Nat. Secs. Ltd. | 11½% | | |
| Robert Fraser | 10 % | | |
| Grindlays Bank | ‡ 9½% | | |
| ■ Guinness Mahon | 9½% | | |
| ■ Hambros Bank | 9½% | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 6%, 1-month 6.25%. Short-term £8,000/12-months 8.6%.
† 7-day deposits on sums of: under £10,000 6%, £10,000 up to £50,000 7%, £50,000 and over 8%.
‡ Call deposits £1,000 and over 6%.
‖ 21-day deposits over £7,000 7%.
§ Demand deposits 6%.
¶ Mortgage base rate.
Ω Money Market Cheque Account—9.15%. Effective annual rate—9.54%.

## Authorised Units—continued

**Equity & Law Un Tst Mngs (a) (b) (c)**
Amersham Rd, High Wycombe. 0494 33377
Euro Tst Acc 59.2 63.6 +0.2 1.60

**Robert Fleming & Co Ltd**
8 Crosby Square, EC3A 6AN. 01-638 5858
AmExFd* £270.36 276.23 .... 0.63
JapExFd* £155.23 160.28 .... 1.15
Next subscription day Oct 3 1983.
*Fleming American Property Unit Trust. Latest issue price (15/8) US$10.567. Units are issued on Feb 15, May, Aug, Nov.
*Fleming Property Unit Trust. Latest issue price (24/6) £2.067. Units are issued on March 25, June 24, Sept 29 & Dec 25.
*Unauthorised.

**Guardian Royal Ex Unit Mngrs Ltd (a)**
Royal Exchange EC3V 3LS. 01-638 2020
(b)GREGtFI 113.8 118.3xd +0.5 9.81
(b)GRENAm 96.1 103.4 +1.0 2.42
(b)GREPacT 103.2 111.0 +0.4 1.14
(b)PropySrT 110.2 118.5 +0.6 1.32
(b)GREGthEq 94.7 101.9 +0.4 2.15
GRESmlC 99.9 107.5 +1.6 2.47
G'hill Tst 182.9 189.5xd +1.6 3.36

**H.B.L. Unit Trust Mngrs Ltd (a) (c) (g)**
Premier NT Admin. 5 Rayleigh Rd, Hutton, Brentwood, Essex. 0277-227300
SmllrCosTst 50.8 53.5 .... 4.62
N Amer Tst 49.3 51.9 +0.6 2.74
JapanFarETst 51.0 53.7 .... 0.97
ScandinavianTst — 50.0 .... 1.50

**Hexagon Services Ltd**
4 Gt St Helens, London EC4P 3EP. 0708 45322
AustFrsGw 108.4 114.7 .... 1.63
BrewinCap 84.5 89.0 .... 0.58
BrewinGtIn 74.9 78.9 .... 3.98
CanGwthFd 111.8 120.3 .... 0.94

**Lawson Fund Managers Ltd (a) (c) (g)**
43 Charlotte Sq, Edinbgh 2. 031-225 6001
CharlottesSqFd — 50.0 .... 2.8
Penny Sh Fd 14.0 15.0 .... 1.8
Aust & Pac 9.7 10.3 .... 0.56
High Yield 19.7 21.4 .... 10.40
Do Accum 20.8 22.5 .... 10.40

**MGM Unit Managers Ltd**
MGM House, Heene Road, Worthing. 01-623 8211
High Inc. 129.4 139.1 +1.0 6.21
(Accum Uts) 131.1 141.0 +0.9 6.21
UK Growth 125.0 134.4 +1.1 3.16
(Accum Uts) 125.3 134.7 +1.0 3.16

**MLA Unit Trust Management Ltd**
Old Queen Street SW1A 9JG. 01-222 8576
MLA Uts 181.5 190.5 .... 2.81
MLA Int 28.5 29.9 .... 0.84

**The Money Market Trust**
63 On Victoria St EC4N 4ST. 01 236 0952
Call Fund — 9.70 -0.04 —
7 Day Fund — 9.40 +0.01 —
†Unauthorised—Sterling Deposit Fund.

## Offshore and Overseas—continued

**Actibonds Investment Fund SA**
37 rue Notre Dame, Luxembourg. Tel 47971
Actibonds In — $19.61 ... —

**Alliance Capital Management Intl Inc**
62 63 Queen St, London EC4. 01-248 8881
Alliance International Dollar Reserves
Distribution Sept 12-18 (0.001661) (9.00% pa)
AIntHCCresSept21 $9.15 .... —
A Tech Fd Sept 21 $23.64 .... —
QuasarAcSept21 $63.42 .... —

**Bamford Brandt Guernsey Mngt Ltd**
PO Box 71, St Peter Port, Guernsey. 0481 26541
Tech&Coms £8.86 9.3 .... —
IntGrowth $17.32 18.77 .... —

**Brown Shipley St Co (Jersey) Ltd**
PO Box 583, St Helier, Jersey. 0534 74777
Stg Capital £16.24 16.25xd .... —
IntCurrency £1.06 1.12 .... —
IntBondInc $10.25 10.85 .... —

**CAL Investments (IoM) Ltd**
16 St Georges St Douglas IoM. 0624 20231
CAL C&C* 87.7 92.4 .... —
CAL Metals* 92.0 96.9 .... —
CAL Slv** 288.9 306.3 +4.7 —
CAL Gold** — — .... —
CAL Copper** — — .... —
CAL Alumin** — — .... —
Dealing days every Monday.

**CAL Investments (Bermuda) Ltd**
PO Box 1022, Hamilton, Bermuda. (809-29) 5-5950
CAL CTR Fd 78.3 82.2 .... —
Dealing days every Monday.

**Commodity Advisory Svcs (IoM) Ltd**
48 Athol St, Douglas IoM. 0624-20845
Com&FFAc 87.15 90.78 .... —
Com&FFD 87.15 90.78 .... —
Next dealing date Oct 3.

**Citibank (CI) Ltd "Citifunds"**

**Channel Is Transatlantic Inv Funds Ltd**
Green St, St Helier. 0534-70334
U.S. $ Fund $10.261 +0.003 —
£SterlingFund £5.130 +0.001 —
Sw Franc Fd SwFr20.167 +0.001 —
Jap Yen Fd Y2030.509 +0.280 —
DeutschmkFd DM20.200 +0.002 —
Managed Fund $10.085 +0.005 —

**DunVest Ltd**
PO Box 887, Grand Cayman.
NAV $136.80 ... —

**First Gold & Metals Trust PLC**
60 St James's St, London SW1. 01-499 4341
First Gold 9.21 ... —

**Forbes Securities Management Co**
PO Box 887, Grand Cayman, BWI. London Agents 01-839 3013
Gold Inc $9.41 9.91 .... —
Gold App 7.83 8.26 .... —
Dollar Inc $9.37 9.72 ... —

**Framlington Overseas Fund Mngt Ltd**
PO Box 71, St Peter Port, Guernsey. 0481 26541
O'seas&Gth 48.4 52.7 .... 4.00
O'seas&Gth$ 72.8 79.4 .... 4.00

**GRE Intl Inv Mngt Ltd**
PO Box 194 St Helier, Jersey. 0534 27441
ManCurFd £10.13 — +0.01 —

**Grindlay Henderson Mngt Ltd**
PO Box 414, St Helier, Jersey. 0534 74248
Mgd Fd £10.2673 10.7807 +0.0311
Mgd Acc £9.7328 10.2194 +0.0297
Stlg Fd £10.2094 — +0.0051
Stlg Acc £10.1553 — +0.0070
U.S. $ Fd $20.3975 — +0.0100
U.S. $ Acc $20.3347 — +0.0107
DMA DM50.3615 — +0.0075
SwFr SwFr50.3577 — +0.0071
Yen Y5051 — +1

**Jardine Fleming & Co Ltd**
46th Floor, Connaught Centre, Hong Kong.
Curr & Bd $12.53 — .... 9.40
(Accum) $17.72 — .... —
Asean $10.00 — .... —
(Accum) $10.00 — .... —
American $9.41 — .... —
(Accum) $9.41 — .... —
Mgd Curr $10.02 — +0.01 9.50
(Accum) $10.02 — +0.01 9.50

**Lazard Brothers & Co (Jersey) Ltd**
PO Box 108, St Helier, Jersey, C.I. 0534 37361
LazBrFarE $14.10 15.00 .... 1.00
CoGBd $1,345.68 1,362.65 .... 11.16
D FredBdFd $9.99 10.03 .... 5.0
Do Accum $9.99 10.03 .... 5.0
N Am Fd $10.21 10.87 .... —

**Lloyds Bank International, Geneva**
PO Box 438, 1211 Geneva 11 (Switzerland)
L I Dollar $100.40 .... —
L I Growth SF971.00 .... —
L I Income SF309.50 .... —
L I Pacific SF106.40 .... —

**Management International Ltd**
Bk of Bermuda Bldgs B'muda 809-295-4000
Bda IBFC $16.22 16.40 .... —
Bda IBFI $11.38 11.51 .... —
Prices on Sept 16. Next dealing Sept 23.
Bda IEFC $10.23 10.44 .... —
Bda IEFI $10.23 10.44 .... —
Prices on Sept 21. Next dealing Sept 28.

**Manufacturers Hanover Geofunds**
PO Box 92, St Peter Port, Guernsey 0481 23961
LA Inc $103.60 103.81 .... 9.33
LT Acc$ $124.99 125.25 .... 11.02
MIT Inc $110.39 110.95 .... 10.71
MIT Acc$ $125.74 126.39 .... 15.59

**Geofund International Reserves Ltd.**
Sterling £5.060 +0.001 —
U.S. $ $10.119 +0.003 —
D-Mark DM20.116 +0.002 —
Swiss Fr SwFr20.079 +0.002 —
Jap Yen Y2 013.7 +0.3 —
Managed Fd $10.080 -0.001 —

**Marine Midland (CI) Ltd**
140 B'way NY 10015 USA. 212-440-1000
Queens Hse, Don Rd, St Helier. 0534 71460
Intcurcy $1,038.89 .... —
Next sub day Oct 13.

**Samuel Montagu Ldn Agents**
114 Old Broad St, EC2. 01-626 3434
ApSept20 SF89.80 97.50 +0.30 1.43
JpSept15 HK37.5 40.58 .... 0.18
117GpA31 $17.94 19.30 .... —
JsvFdA31 $12.80 13.94 .... —
MontFRNF $10.24 10.77 .... —
U.S. FIF $9.54 10.05 .... —

**Nat Westminster Jersey Fd Mngrs Ltd**
23 25 Broad St, St Helier, Jersey. 0534 70041
County Bank Currency Fund Ltd (x)
Dollar class $20.6045 +0.0053 —
Sterling class £10.3280 +0.0023 —
D-mark cl DM50.6412 +0.0060 —
DutchGuilder DFl50.7093 +0.0066 —
Jap Yen cl Y5092.1241 +0.7963 —

**Norcap Fund Managers (Bermuda) Ltd**
Bank of Bermuda Building, Bermuda 809 29 5400
Amer Tst $11.22 11.69 ... —

**Perpetual UT Managers (Jersey) Ltd**
PO Box 459, St Helier, Jersey. 0534 74517
Offshr Grw $1.121 1.193 2.00

**Rothschild Asset Management (CI)**
St Julian's Ct, St Peter Port, Guernsey. 0481 26741
OC International Reserves Ltd.
Bel Francs BFr862.24 +0.180 6.89
Canadian $ C$37.09 +0.010 8.04
D-Mark DM51.04 +0.010 4.32
Dutch Guilder Fls50.7 +0.005 4.77
French Franc FFr165.085 +0.050 11.57
Italian Lire L37,350 +16 14.90
Jap Yen Y6313.47 +1.110 6.08
Singapore $ S$64.225 +0.015 7.10
£ Sterling £14.473 +0.004 8.831
Swiss Franc — +0.004 3.02
U.S. $ $29.645 +0.005 8.87
Daily dealings.
For other Rothschild Offshore Funds see Offshore and Overseas section.

**Schroder Mngt Services (Jersey) Ltd**
PO Box 195, St Helier, Jersey. 0534 27561
Schroder Money Funds Ltd.
Sterling £14.1223 .... —
U.S. Dollar $26.4326 .... —
D-Mark DM51.3607 .... —
Swiss Franc SF1.0295 ... —

**J. Henry Schroder Wagg & Co Ltd**
120 Cheapside, EC2. 01-382 6000
Nass&TS20 $61.10 — .... —

**Target Trust Mngrs (Jersey) Ltd**
PO Box 194, St Helier, Jersey. 0534 27441
Mgd Cur Fd 95.7 100.9 +0.1 —

**Tyndall-Guardian Management Ltd**
PO Box 1256, Hamilton Bermuda.
T-G Am $23.13 .... —
T-G Money $21.51 .... —
T-G E Bond $15.41 .... —
T-G Com $19.72 .... —
T-G Mort C$19.30 .... —
T-G O'seas $12.22 .... —
T-G Pacific Y2.054 .... —
T-G Wall St $26.11 .... —

**United Fund Managers Ltd**
16-18 Queens Road Central, Hong Kong. 5-231417
S&MIyT $10.13 10.49 .... —

## Insurances—continued

**Albany Life Assurance Co Ltd**
3 Darkes Lane, Potters Bar. 0707-42311
Pension Funds
EqPenFdAc 595.7 627.0 +4.9 —
FixdPenAc 411.3 432.9 +1.8 —
GtMInPnAc 245.5 258.4 +0.1 —
Intl Man 250.3 263.4 +1.6 —
Jap Pens Fd 112.8 118.7 +0.6 —
AmPfDdAc 138.7 145.9 +1.0 —
Prop Pn Ac 224.5 236.3 ... —
MpInPnAc 503.4 529.8 +3.1 —

**Commercial Union Group**
St Helens, 1 Undershaft, EC3. 01-283 7500
VarAnUtSep24 — 145.47 +0.01 —
VarAnUtSep24 — 32.79 .... —
Prime Series
Managed 122.9 129.2 +0.6 —
UK Equity 124.5 131.1 +1.1 —
Int Equity 119.9 126.3 +0.3 —
Property 101.8 107.2 ... —
Fixed In 108.6 114.4 +0.5 —
Index Lk Gt 89.7 94.5 -0.2 —
Cash 98.6 103.8 .... —
Hand-in-Hand
Cash 120.5 126.9 .... —
Fixed Int 138.5 145.8 .... —
Property 140.3 147.7 .... —
NatWest 182.4 192.1 .... —

**Continental Life Insurance PLC**
64/70 High St, Croydon CR0 9XN. 01-680 5225
Equity Acc 148.1 155.9 .... —
Propty Acc 136.1 143.3 .... —
Int Acc 145.8 153.5 .... —
Managd Acc 145.5 153.2 .... —
PenEqtyAcc 170.9 179.9 .... —
PenPrpAcc 138.4 145.7 .... —
PenIntlAcc 149.4 157.3 .... —
Gilt, Deposit, Index Fund prices available on request.

**Crown Life**
Crown Life House, Woking GU21 1XW. 04862 5033
PensMgAcc 152.4 160.5 .... —
PECorontFd 175.8 185.0 .... —
BrewInEqFd 237.9 250.4 .... —
StratInvFd 138.6 146.1 .... —
PenMnyAcc 123.5 129.9 .... —
PenMnyInt 113.9 119.8 .... —
Sage Fd 113.3 119.2 .... —
Heritage Fd 131.1 138.0 .... —
DBS Mangd 131.1 137.9 .... —

**Friends' Provident Life Office**
Pixham End, Dorking. (0306) 885055
Life Funds
Cash Accum 96.7 101.8 +0.1 —
UK Eqty Ac 104.5 110.1 +0.6 —
Fxd Int Ac 99.9 105.2 +0.5 —
IndxLkdAcc 93.0 97.9 -0.1 —
Mixed Acc 101.5 106.9 +0.5 —
O'seasEqFd 102.5 107.9 +0.7 —
Propty Acc 96.2 101.3 .... —
Pension Funds
Cash 96.9 102.1 +0.1 —
Cash Acc 98.2 103.4 +0.1 —
UK Eq Cap 102.5 107.9 +0.5 —
UK Eq Acc 103.8 109.3 +0.6 —
FxdIntCapt 98.7 104.0 +0.4 —
FixdIntAcc 100.1 105.4 +0.5 —
Indx Lkd Captl 91.2 96.1 -0.2 —
Indx Lkd Acc 92.5 97.4 +0.2 —
Mixed Captl 100.3 105.6 +0.5 —
Mixed Acc 101.6 107.0 +0.5 —
O'seasEqCp 104.8 110.4 +0.8 —
O'seasEqAc 106.3 111.9 +0.1 —
Propty Captl 94.9 99.9 +0.1 —
Property Acc 96.1 101.2 +0.1 —

**Guardian Royal Exchange**
Royal Exchange, EC3. 01-283 7107
GRE Pensions Management Ltd
PensPrpInt 129.5 136.3 .... —
PensPrpAcc 140.1 147.5 .... —
PensIxLkGInt 94.9 99.8 .... —
PensIxL'GAc 95.7 100.7 .... —
PensDepInt 136.5 143.7 .... —
PensDepAcc 147.9 155.7 .... —

**Henderson Administration**
26 Finsbury Sq, London EC2. 01-638 5757
High Inc 142.3 149.8 +0.6 —
Gilt Edged 98.9 104.2 +0.5 —
Cap Growth 143.2 150.8 +0.6 —
Technology 172.4 181.5 +1.0 —
Nat Res'ces 140.2 147.6 +1.0 —
Spec Sits 191.9 202.1 +1.0 —
N America 230.3 242.5 +2.4 —
Far East 175.8 185.1 -0.3 —
Property 116.1 122.3 .... —
Managed 187.5 197.4 +1.0 —
Deposit 117.1 123.3 +0.1 —
Pension Funds
Prime Rest 116.5 122.7 .... —
UK Equity 102.5 107.9 +0.4 —
Fixed Int 110.4 116.3 +0.5 —
Spec Sits 124.0 130.6 +0.8 —
N America 116.4 122.6 +1.3 —
Far East 120.4 126.8 -0.1 —
Managed 114.2 120.3 +0.8 —
Comm Prop 100.3 105.6 +0.2 —
Prime Rest 104.2 109.7 +1.5 —
Deposit 100.3 105.6 -0.2 —
Capital unit prices available on request.

**London Life Linked Assn Ltd**
100 Temple St, Bristol BS1 6EA. 0272 279179
Equity 226.1 232.8 .... —
Fixed Int 164.5 165.3 .... —
Property 165.3 170.2 .... —
Deposit 141.6 141.6 .... —
Mixed 191.6 195.6 .... —
Index Stk 108.7 109.2 .... —
Internationl 115.3 117.6 .... —
London Life Managed Funds Ltd
Equity(P) 161.0 166.6 .... —
Fixed Int(P) 169.7 170.9 .... —
Property(P) 119.6 123.7 .... —
Deposit(P) 121.2 121.2 .... —
Mixed(P) 151.2 154.8 .... —
Index Stk 114.9 115.7 .... —
Intl Equity 110.7 112.9 .... —

**Moneywise Friendly Society**
80 Holdenhurst Rd, Bournemouth. 0202 295678
MonywiseInt 47.8 50.9 .... —

**Municipal Life Assurance Ltd**
99 Sandling Rd, Maidstone. 0622 679351
Equity Fd 94.0 100.0 .... —
Managd Fd 102.0 108.0 .... —

**Premium Life Assurance Co Ltd**
Eastchester House, Haywards Heath. 0444 458721
Nat Res'ces 116.0 123.0 -2.0 —
Property 139.0 147.0 .... —
UK Equity 138.0 146.0 -1.0 —
Intl Equity 122.0 129.0 -1.0 —

**Prudential Pensions Ltd**
Holborn Bars, EC1 2NH. 01-405 9222
Pru-Link Retirement Plan
Managed Fd 143.5 149.5 .... —
Cash Fund 112.7 117.4 .... —

**St George Assurance Co Ltd**
The Priory, Hitchin, Herts. 0462 57161
Managed Fd 102.6 108.0 .... —
Universal Fd 100.4 105.7 .... —

**Save & Prosper Group**
4 Gt St Helens, London EC3P 3EP. 0708-66966
Gilt Pen Fd 185.3 196.1 -0.1 —
Dep Pen Fd‡ 185.9 196.8 .... —
GlobalEqPen 56.6 59.9 +0.3 —

**Skandia Life Assurance Co Ltd**
Frobisher Hse, Southampton. 0703-334411
Managed 153.4 161.5 +0.5 —
Equity 161.4 169.9 +0.7 —
Internationl 180.2 189.7 +0.8 —
N America 110.8 116.6 +0.7 —
N European 101.9 107.3 +0.4 —
Pacific 110.2 116.0 +0.2 —
IntRecovery 111.2 117.0 +1.0 —
Gilt Plus 141.5 148.9 +0.5 —
Property 128.4 135.2 +0.1 —
Deposit 131.2 138.1 +0.1 —
PensMangd 183.4 193.1 +0.9 —
Pens Equity 189.7 199.7 +0.9 —
Pens Intl 218.3 229.8 +1.2 —
Pens N Am 113.8 119.8 +0.9 —
Pens N Euro 104.1 109.6 +0.5 —
Pens Pacific 112.7 118.6 +0.2 —
PensIntRec 113.2 119.2 +1.1 —
PensGtPls 170.1 179.0 -0.8 —
Pens Propty 156.3 164.5 +0.2 —
Pens Dep 160.1 168.5 +0.1 —
For prices of Capital Units and Guaranteed Basic Rates please phone 0703 334411.

**Target Life Assurance Co Ltd**
Target House, Gatehouse Road, Aylesbury, Bucks. Aylesbury (0295) 5941
Sterling — — .... 6.5
U.S. Dollar — — .... 5.5
Swiss Franc — — .... 4.5
Deutsche Mark — — .... 2.8
Yen — — .... 4.1

**TSB Life Ltd**
PO Box 3, Keens House, Andover, Hants. SP10 1PG.
Managed Fd 104.5 110.1 +0.2 —
Property Fd 97.4 102.7 .... —
Fixed Int Fd 100.6 106.0 +0.4 —
Money Fd 97.6 102.9 +0.1 —
Equity Fd 110.0 116.9 +0.2 —

**Windsor Life Assurance Co Ltd**
Royal Albert Hse, Sheet St, Windsor. 68144
N Amer Fd 210.6 221.7 .... —
Far East Fd 127.5 134.3 .... —
FutAssGth 77.0(A) 85.0(B) .... —
Ret Assd Pen 52.36 .... —



# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

**Abbey Unit Tst. Mngrs. (a)**
1-3 St Paul's Churchyard EC4P 4DX 01-236 1833
High Income
Gilts & Fixed Int. 114.1 120.7xd +0.4 9.94
High Inc Equity 52.1 56.0 +0.3 6.50
Capital Growth
American Growth 106.0 114.0 +1.2 1.48
Assets & Emgs. Tt 52.7 57.0 +0.9 3.28
Commodity & Engy 79.1 85.0xd -0.2 2.73
General 85.9 92.9 +0.6 3.01
Japan 99.8 107.3 +0.8 0.45
UK Growth 52.2 56.7 +0.3 3.19
Acc. Units 71.4 77.6 +0.4 3.19
Worldwide Bond 130.9 140.7 +0.6 3.91
Equitas Prog 122.2 132.1 +0.7 3.26

**Aitken Hume**
1, Worship St., EC2 01-628 6626
American Tech Fd 163.1 175.3xd +1.3 0.10
Inc & Gwth Fd 32.4 34.8 +0.1 5.3
Pacific Fd 118.4 127.8 -2.9 1.20
Secure Income Fd 104.6 112.6 ..... 7.7
Special Sits 152.7 164.0 +2.0 0.70
Energy Fd 222.3 238.9 +3.9 0.68
Exempt Fd 376.5 404.9 ..... —
Small Co's Fd 268.0 288.0xd +0.7 2.20
Jap. Technology 48.8 51.9 +0.2 0.50
Aitken Hume Ltd. Deposit Rates.
Treasury Acct* — — ..... 9.44
Mnthly Income Acct* — — ..... 9.38
*Not Authorised U.T.—Bank Deposit.

**Allied Hambro Ltd. (a) (g)**
Hambro Hse., Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123
Balanced Funds
Allied 1st 119.6 127.9xd +0.8 4.48
Brit. Inds. Fund 109.7 117.3 +0.9 4.65
Growth & Income 74.0 79.1 +0.6 3.32
Allied Capital 165.5 167.4 +0.4 2.05
Hambro Fund 209.4 224.1 +1.3 3.92
Hambro Acc. Fund 300.8 321.9 +2.1 3.54
Income Funds
High Income 126.4 135.2xd +0.9 5.94
Equity Income 69.9 74.8 +0.4 6.26
High Yield 88.3 94.5 +0.6 7.23
Govt. Secs 29.8 31.8 +0.1 9.43
International Funds
International 52.0 55.6 +0.5 1.08
Japan Fund 46.6 49.9 +0.3 0.01
Pacific Fund 93.2 99.7 +0.2 0.72
American Spec. Sits 51.5 55.1xd +0.5 0.63
Secs. Of America 142.5 152.5 +1.8 1.44
Specialist Funds
Gilt Growth Fd 30.5 32.6 +0.1 1.32
Smaller Co.'s Fd 82.5 88.3 +0.2 2.41
2nd Smlr. Co's Fd 107.6 115.1xd +0.5 2.04
Recovery 40.7 43.6 +0.2 2.48
Met. Min. & C'dty 103.3 110.5 -0.1 1.56
Overseas Earnings 113.0 120.9 +0.3 3.66
Technology Fund 84.3 90.2 +1.0 0.70
Exempt Funds
Income Exempt 79.6 83.6 +0.1 6.17
Far East Exempt 96.0 100.8 -0.3 1.56
Smaller Co. Exempt 145.1 152.3 +0.4 2.49

**Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)**
Salisbury House, 31, Finsbury Circus, London EC2
01-638 0478/0479 or 01-588 2777
Britannia Viewpoint 01-673 0048
UK Specialist Funds
Assets 156.2 168.4 +0.7 3.37
Recovery 60.0 64.7 +0.4 2.96
Smaller Cos 88.1 95.0xd +0.6 1.76
Spec. Mkt. Sits. 74.2 80.0 +0.5 1.48
UK Blue Chip 51.0 55.0 +0.4 3.15
High Income Funds
Nat. High Inc. 102.9 110.9xd +0.7 6.76
Extra Inc. 42.3 45.6 +0.2 8.66

**Duncan Lawrie Fnd. Mgrs. (g)**
1, Hobart Place, London SW1W 0HU. 01-245 9321
Growth 19.6 21.1 +0.1 3.6
Income 34.8 37.4 +0.3 9.4

**Henderson Administration (a) (b) (c)**
Premier UT Admin, 5 Rayleigh Rd, Hutton, Brntwd, Essex. 0277 217238
U.K. Funds

**Lloyd's Life Unit Tst. Mngrs. Ltd.**
2, St Mary Axe, EC3A 8BP.

**National Westminster (a)**

**Save & Prosper—continued**

**Tyndall Managers Ltd.(a)(b)(c)**

# INSURANCES

# INSURANCE & OVERSEAS MANAGED FUNDS

**Barclays Life Assur. Co. Ltd.—cont.**

| | | | | |
|---|---|---|---|---|
| Income Accum | 115.0 | 121.1 | +0.8 | — |
| Do. Initial | 111.9 | 117.8 | +0.8 | — |
| Man. Pens. Accum. | 241.9 | 254.7 | | — |
| Do. Initial | 200.5 | 211.1 | | — |
| Gilt-Edg Pens. Accum | 210.2 | 221.3 | ... | — |
| Do. Initial | 167.6 | 176.5 | ... | — |
| Money Pens. Accum. | 185.6 | 195.4 | ... | — |
| Do. Initial | 150.1 | 158.0 | .. | — |

**Black Horse Life Ass. Co. Ltd.**
71, Lombard St., EC3. 01-623 1288

| | | | | |
|---|---|---|---|---|
| Black Horse Mgn Fd | | 231.39 | ... | — |
| Managed Inv. Fd. | 156.88 | 165.14 | .. | — |
| Property Fd. | 150.50 | 158.22 | .. | — |
| Fixed Interest Fd. | 141.61 | 149.07 | ... | — |
| Cash Fd. | 135.42 | 142.55 | ... | — |
| Income Fd. | 172.51 | 181.59 | ... | — |
| Extra Income Fd. | 162.92 | 171.50 | ... | — |
| Worldwide Growth Fd. | 229.60 | 241.69 | ... | — |
| Balanced Fd. | 173.22 | 182.34 | ... | — |
| Smlr Co's & Recv. Fd | 207.34 | 218.26 | ... | — |
| Int. Technology Fd | 261.70 | 275.48 | ... | — |
| Nth. Amer & Gen. Fd. | 164.70 | 173.37 | ... | — |
| Energy Int. Fd. | 107.92 | 113.60 | ... | — |
| Pacific Basin Fund | 125.75 | 132.37 | ... | — |

**British National Life Assurance Co. Ltd.**
Harlands Rd, Haywards Heath. 0444 414111

| | | | | |
|---|---|---|---|---|
| Managed | 127.4 | 117.2 | +2.6 | — |
| Property | 106.3 | 111.9 | −0.3 | — |
| Equity | 114.0 | 120.6 | +20.4 | — |
| International | 127.1 | 133.8 | −0.2 | — |
| Fixed Interest | 100.8 | 106.1 | +1.1 | — |
| Deposit | 98.9 | 104.1 | +0.1 | — |
| Managed Pen. Cap. | 112.2 | 118.1 | +2.4 | — |
| Property Pens. Cap. | 105.3 | 110.9 | −0.6 | — |
| Equity Pens. Cap. | 109.7 | 115.5 | +19.5 | — |
| Intnl. Pens. Cap. | 133.2 | 140.2 | −0.4 | — |
| Fixed Int. Pens. Cap. | 98.8 | 104.0 | +1.0 | — |
| Deposit Pens. Cap. | 97.0 | 102.1 | +0.1 | — |

**Canada Life Group**
2-6, High St., Potters Bar, Herts. P. Bar 51122

| | | | | |
|---|---|---|---|---|
| Equity Gth Aug 30 | | 96.2 | ... | — |
| Rmt. Fed. Aug 6 | | 256.4 | ... | — |
| Managed Pen Fund | 175.5 | 184.7 | ... | — |
| Property Pen Fund | 115.6 | 119.8 | ... | — |

**G.T. Management Ltd.**
16 Finsbury Circus, Lond. EC2M 7DJ 01-628 8131

| | | | | |
|---|---|---|---|---|
| G.T. Plan Bond Fund | 119.0 | 125.3 | +0.8 | — |
| GT Pln High Yld Fnd | 118.9 | 125.2 | +0.9 | — |
| GT Plan Far East Fnd | 113.4 | 119.4 | +1.6 | — |
| GT Pln N Am Fund | 146.8 | 154.6 | +1.8 | — |
| GT Pln UK&G.E. Fnd | 133.6 | 140.7 | +1.4 | — |
| GT Pln Wrldwde Fnd | 137.2 | 144.5 | +2.0 | — |
| GT Pension Bnd Fnd. | 128.3 | 135.1 | +0.7 | — |
| GT Pen High Yld Fd. | 135.9 | 143.1 | +1.1 | — |
| GT Pen Far East Fd | 137.7 | 145.0 | +2.2 | — |
| GT Pen N. Am. Fd. | 216.1 | 227.5 | +3.1 | — |
| GT Pen UK & G.E. Fd. | 155.1 | 163.3 | +1.5 | — |
| GT Pen Worldwide Fd. | 146.6 | 154.4 | +2.2 | — |

**Assicurazioni GENERALI S.p.A.**
117, Fenchurch St., EC3M 5DY. 01-488 0733

| | | | | |
|---|---|---|---|---|
| Intl. Managed Bond | 164.2 | 172.9 | ... | — |

**General Portfolio Life Ins. C. Ltd.**
Crossbrook St., Cheshunt, Herts. Waltham X 31971

| | | | | |
|---|---|---|---|---|
| Portfolio Fd. Acc. | | 248.5 | ... | — |
| Portfolio Fd. Init. | | 286.1 | ... | — |
| Portfolio Fd. Cap. | | 237.6 | ... | — |
| Investment A uts. | 248.4 | 261.6 | ... | — |

**Growth & Sec. Life Ass. Soc. Ltd.**
48, London Fruit Exchange, E1 6EU 01-377 1122

| | | | | |
|---|---|---|---|---|
| Flexible Finance | | 1,526 | ... | — |
| Landbank Secs. | | 66.15 | ... | — |
| Landbank Scs. Acc. | 185.6 | 190.4 | ... | — |
| G. & S. Super Fd. | | £11.376 | ... | — |

**Guardian Royal Exchange**
Royal Exchange, E.C.3. 01-283 7101

Guardian Assurance

| | | | | |
|---|---|---|---|---|
| Property Bonds | 302.8 | 315.4 | ... | — |

GRE Linked Assurance Limited

| | | | | |
|---|---|---|---|---|
| Managed Initial | 208.2 | 219.2 | +0.1 | — |
| Do. Accum. | 230.8 | 243.0 | +0.2 | — |
| Equity Initial | 263.0 | 276.8 | +3.5 | — |
| Do. Accum. | 291.5 | 306.8 | +3.9 | — |
| Fixed Int. Initial | 193.9 | 204.1 | −0.3 | — |
| Do. Accum. | 214.9 | [illegible] | [illegible] | — |

[illegible]

## OFFSHORE AND OVERSEAS

[illegible]

**World Wide Growth Management**
10a, Boulevard Royal, Luxembourg

| | | | | |
|---|---|---|---|---|
| Worldwide Gth Fd | $13.13 | | −0.06 | — |

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

**Wren Commodity Management Ltd.**
10, St. George's St., Douglas IoM 0624 25015

| | | | | |
|---|---|---|---|---|
| Wren Com. Fund. | 26.1 | 27.1 | ... | — |
| Chinese Fund | 65.9 | 68.7 | ... | — |
| Precious Metal Fund. | 120.9 | 125.9 | ... | — |
| Vanguard Cmdy. Fd. | 37.0 | 37.9 | ... | — |
| Financial Futures Fd. | 76.6 | 79.6 | ... | — |
| Wren Intl. Fnd.* | 50.560 | 6.583 | ... | — |

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⁂ Yield column shows annualised rate of NAV increase.

# FT LONDON SHARE INFORMATION SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

## INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

## CORPORATION LOANS

[illegible]

## COMMONWEALTH AND AFRICAN LOANS

[illegible]

## LOANS

Public Board and Ind.

[illegible]

## LOANS—continued

Financial

[illegible]

Building Societies

[illegible]

## FOREIGN BONDS & RAILS

[illegible]

## AMERICANS

[illegible]

## CANADIANS

[illegible]

## BANKS, H.P. & LEASING

[illegible]

## BANKS—Continued

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## CHEMICALS, PLASTICS—Cont.

[illegible]

## DRAPERY AND STORES

[illegible]

## ELECTRICALS

[illegible]

## ELECTRICALS—Continued.

[illegible]

## ENGINEERING MACHINE TOOLS

[illegible]

## FOOD, GROCERIES, ETC.

[illegible]

## FOOD, GROCERIES—Cont.

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS—Continued

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Mar | May | Keep Trust 5p | 13¼ | 20.9 | ‡0.15 | — | ‡ | — |
| Feb. | July | Kelsey Inds. | 185 | 6.6 | 8.0 | 1.7 | 6.2 | 12.7 |
| Nov. | April | Kershaw (A.) 5p | 150xd | 19.83 | ‡15.0 | 0.6 | ‡ | (22.6) |
| Jan | Aug | [illegible] | 67 | 18.7 | 3.0 | ♦ | 6.4 | ♦ |
| Jan. | Aug. | L.C.P. Hlds. | 93 | 20.6 | 3.6 | 1.2 | 5.5 | (20.0) |
| Jan | July | LDH Group | 27 | 7.6 | — | — | — | — |
| Oct | April | L.R.C. Intl. 10p | 113xc | 1.8 | ‡2.95 | 2.3 | 3.7 | 14.7 |
| July-Dec | | Lamont Hldgs. 10p | 29 | 6.6 | 1.3 | 1.8 | 6.4 | 11.4 |
| Dec. | May | Lawtex | 34 | 11.81 | — | — | — | — |
| Mar. | Oct. | Lep Group 10p | 475 | 4.7 | 17.5 | 0.3 | 5.3 | 65.8 |
| Oct. | July | Lilleshall 10p | 35 | 9.5 | d1.0 | — | 4.1 | — |
| Jan | Oct | Lon. & Liv. 10p | 63 | 23.5 | ‡2.75 | 3.5 | 6.2 | 5.6 |
| Jan. | Sept. | London & Mid'd | 119 | 15.8 | 7.75 | 1.1 | 9.3 | 13.3 |
| Jul. | Dec. | Lon. & Nthn. Grp | 75½ | 6.6 | F4.2 | ♦ | 7.9 | 10.7 |
| — | | ‡Lon. Prv. Health | 27 | — | — | — | — | 13.5 |
| Mar | Oct | Longton Inds. | 60 | 5.9 | 1.0 | — | 2.4 | — |
| | | Low & Bonar 50p | 114 | 25.4 | †5.0 | 2.8 | 6.4 | (6.3) |
| — | | MCD Group | 46½ | — | u1.0 | 2.2 | 3.1 | 21.2 |
| — | | [illegible] 5p | 80 | — | b1.68 | 2.6 | 3.0 | 15.6 |
| June | Dec. | M.Y. Dart. 10p | 24 | 1.11 | 0.1 | — | 0.6 | — |
| May | Sept. | M'c'rthy Ph. 20p | 138 | 15.8 | 7.0 | 2.7 | 7.2 | 6.5 |
| Oct. | May | Macfarlane Gp. | 147xd | 19.83 | †3.52 | 2.1 | 3.4 | 18.0 |
| July | Nov. | Maclellan 20p | 34 | 23.9 | d1.5 | 1.6 | 6.4 | 12.0 |
| Aug. | Mar. | Macpherson (D.) | 49 | 18.7 | 4.2 | 0.6 | 12.2 | [illegible] |
| Oct. | Apr. | Magnolia Group | 52xd | 19.83 | 2.3 | 3.2 | 6.3 | 6.1 |
| Apr. | Oct. | Man. Ship Can. £1 | 137 | 9.80 | 3.5 | 6.8 | 3.7 | 4.1 |
| Oct | Apr | Marley | 66 | 15.8 | †2.5 | 0.5 | 5.4 | [illegible] |
| Feb. | Oct. | Marling Ind. 10p | 44 | 1.8 | 1.06 | 1.7 | 3.5 | (19.0) |
| Dec. | Jan. | Marshall L'xy. 'A' | 26 | 4.10 | ‡1.2 | — | ‡ | — |
| Jan. | July | Marshall's Univ | 46 | 7.6 | B— | — | — | 90.8 |
| Nov | May | Martin-Black | 29 | 5.79 | — | — | — | — |
| — | | ♥Mathesons 7¾% | £95 | 30.6 | Q7¾% | 2.3 | f8.2 | — |
| Jan. | June | Metal Box £1 | 248 | 20.6 | 11.55 | 1.8 | 6.7 | (9.9) |
| Nov. | June | Metal Closures | 113xd | 19.83 | 5.7 | 1.8 | 7.2 | (7.3) |
| April | Dec. | Metamec Jentique | 9¼ | 15.3 | ‡0.5 | — | ‡ | — |
| Dec. | June | Mettoy | 11 | 5.81 | — | — | — | — |
| July | Jan | Midland Inds Grp | 147 | 15.10 | 4.0 | 2.1 | 4.0 | 17.3 |
| July | Dec. | Moben Grp 1p | 27xd | 19.83 | †0.19 | 15.4 | 1.0 | 6.7 |
| Mar. | Oct. | M'santo 5pc 82-6 | £271 | 9.8 | Q5% | — | f1.9 | — |
| Jan. | July | Morgan Crucible | 120 | 6.6 | †7.5 | 0.6 | 9.2 | (30.5) |
| Jan. | Aug. | Moss (Robt.) 10p | 72 | 6.6 | 2.0 | 2.0 | 6.5 | 15.5 |
| — | | ‡NMW Computers | 238 | 11.6 | 4.0 | 4.0 | 2.4 | 14.6 |
| Mar. | Sept. | Nash Inds. | 50 | 1.8 | 4.0 | ♦ | 11.8 | ♦ |
| Oct. | April | Neil&Sp'ncer 10p | 25 | 3.81 | — | — | — | — |
| Oct. | Apr. | New Equip 10p. | 55xd | 19.83 | 1.15 | 6.8 | 3.0 | 7.8 |
| April | Oct | Nolton | 48xd | 19.83 | 1.0 | ♦ | 3.0 | ♦ |
| Jan. | Aug. | Norcros | 130 | 18.7 | 7.0 | 2.2 | 7.7 | 8.7 |

## INSURANCES

## LEISURE

## LEISURE—Continued

| Dividends Paid | | Stock | Price |
|---|---|---|---|
| — | | GRA Group 5p | 38 |
| May | Nov | Grampian TVA 10p | 56 |
| May | Oct. | HTV Non/Vtg. | 167 |
| May | Oct. | Horizon | 140 |
| Jan | Aug | Intasun 10p. | 141 |
| — | | ‡Intervision Video 10p | 28 |
| — | | Juliana's Hldgs 2p | 345 |
| Jan | Dec | LWT "A" | 159 |
| Jan | Jul | Leisuretime Int 10p | 63 |
| June | Jan. | Magnt. Ag. M. 10p | 115 |
| Apr | Dec. | Medminster 10p | 53 |
| — | | ‡Miss World Grp 10p | 145 |
| — | | ‡Nationwide 5p | 20 |
| — | | ‡Nimslo Int 20c | 66 |
| Jan. | Sept. | Norton Opax. 10p | 120 |
| — | | ‡Owners Abroad | 28 |
| June | Nov | Photax (Lon.) | 40 |
| — | | [illegible] | 120 |
| Sept. | Apr. | Pleasurama 5p | 308 |
| — | | ‡Radio City 'A' NV | 130 |
| July | Jan | Riley Leisure 10p | 194 |
| Apr | Nov. | Saga Hols. 20p | 99 |
| May | Dec. | Samuelson Grp £1 | 395 |
| Dec | May | Scott. TV 'A' 10p | 104 |
| — | | ‡SelecTV 10p | 42 |
| May | Nov | TSW 5p | 20 |
| — | | ‡TVS N/Vtg 10p | 70 |
| — | | ‡Telemon Servs 10p | 26 |
| Oct | Apr | Trid'nt TV 'A' 10p | 94 |
| — | | ♥21st Century Oct | 158 |
| April | Sept. | Webb (Jos.) 5p. | 20 |
| Apr. | Nov. | Zetters 5p | 80 |

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

| Dividends Paid | | Stock | Price |
|---|---|---|---|
| — | | B.L. 50p | 72 |
| — | | ‡Coleman Milne 10p | 62 |
| Mr.Je.S.D. | | Gen. Mts. Units | 220 |
| Nov | | Honda Motor Y50 | 246 |
| — | | Lotus Car 10p | 60 |
| — | | ‡Reliant Motor 10p | 22 |
| | May | Volvo Kr50 | £38 |

### Commercial Vehicles

| Dividends Paid | | Stock | Price |
|---|---|---|---|
| Feb. | Aug. | E.R.F. (Hldgs.) | 37 |
| Jan. | May | Plaxtons (GB) | 170 |

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING ADVERTISING

## PROPERTY

## PROPERTY—Continued

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRUSTS, FINANCE, LAND

### Investment Trusts

## INVESTMENT TRUSTS—Cont.

### Finance, Land, etc.

## OIL AND GAS

## OIL AND GAS—Continued

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Finance

### Diamond and Platinum

### Central African



## MINES—continued

| Dividends Paid | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| | **Australians** | | | | | |
| — | ♥ACM 20c | 17 | — | — | — | — |
| — | Allstate Expln NL | 46 | — | — | — | — |
| — | ♥Australis Mng. NL | 34 | — | — | — | — |
| — | Balmoral Resources | 18 | — | — | — | — |
| — | ♥Black Hill Mins. | 51 | — | — | — | — |

### Tins

### Miscellaneous

## NOTES

## REGIONAL AND IRISH STOCKS

## OPTIONS

### 3-month Call Rates

"Recent Issues" and "Rights" Page 20

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Cheer in the markets

BY COLIN MILLHAM

Longer dated bill rates fell on the London money market last week, as the discount houses looked to the Bank of England for a signal that lower clearing bank base rates would be acceptable. No indication was forthcoming, however, and the authorities had some difficulty prising anything but very short bills out of the market. A few band 4 (64-91 day) bills were purchased outright on Monday at 9⅜ per cent, compared with a market level of 9$\frac{7}{16}$ per cent, but as interest rate fever grew stronger the market rate for band 4 bills declined to 9$\frac{1}{16}$ per cent, effectively closing the door to the use of longer bills for relieving market shortages.

Credit conditions were fairly tight for the most part, but on several occasions the Bank of England managed to find only a handful of bills before lunch, and on Wednesday none at all. This meant that repurchase agreements and late assistance became the only effective way of intervening.

Friday could have been a major problem for the market, because of the BP share offer, which was oversubscribed one minute after the tender opened. The flood of cheques going through the clearing system threatened to draw extremely large sums out of the market but the effects were neutralised by money lent across the weekend to the clearing banks by the authorities.

As the week closed it was still unclear when the next move on base rate would be, particularly since sterling was beginning to look somewhat fragile. But assuming that a fall against the D-mark and other major currencies is inevitable, and even welcome, then the question arises as to what happens after base rates have settled at 9 per cent. The answer appears to be that very little is likely to occur, and that interest could stabilise unless there is a dramatic fall in U.S. rates. The market has become accustomed to plenty of movement, but will simply have to get by on running margins, rather than capital profits, and with the discount houses already losing some of their cheap "club money" economies through amalgamations may remain an attractive proposition.

### FORWARD RATES AGAINST STERLING

| | Spot | 1 month | 3 month | 6 month | 12 month |
|---|---|---|---|---|---|
| Dollar | 1.5020 | 1.5020 | 1.5030 | 1.5051 | 1.5095 |
| D-Mark | 3.9925 | 3.9800 | 3.9550 | 3.9256 | 3.8681 |
| French Franc | 12.0725 | 12.1025 | 12.2125 | 12.4351 | 12.7916 |
| Swiss Franc | 3.23 | 3.2163 | 3.1900 | 3.1559 | 3.0812 |
| Japanese Yen | 360.5 | 359.7 | 358.1 | 355.8 | 351.1 |

### EMS EUROPEAN CURRENCY UNIT RATES

| | ECU central rates | Currency amounts against ECU September 23 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 44.9008 | 45.8840 | +2.15 | +1.49 | ±1.5447 |
| Danish Krone | 8.14104 | 8.15961 | +0.23 | −0.43 | ±1.6425 |
| German D-Mark | 2.24184 | 2.26933 | +1.23 | +0.57 | ±1.0642 |
| French Franc | 6.87456 | 6.85846 | −0.23 | −0.79 | ±1.4052 |
| Dutch Guilder | 2.52595 | 2.53846 | +0.50 | −0.16 | ±1.4964 |
| Irish Punt | 0.72569 | 0.724607 | −0.11 | −0.77 | ±1.6699 |
| Italian Lira | 1403.49 | 1373.36 | −2.15 | −2.15 | ±4.1505 |

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### BANK OF ENGLAND TREASURY BILL TENDER

| | Sept. 23 | Sept. 16 | | Sept. 23 | Sept. 16 |
|---|---|---|---|---|---|
| Bills on offer | £100m | £100m | Top accepted rate of discount | 9.0047% | 9.2453% |
| Total of applications | £376m | £476.75m | Average rate of discount | 8.9826% | 9.2098% |
| Total allocated | £100m | £100m | Average yield | 9.19% | 9.45% |
| Minimum accepted bid | £97.755* | £97.68½ | Amount on offer at next tender | £100m | £100m |
| Allotment at minimum level | 5% | 66% | | | |

* 91 day bills: 92 day bills £97.735 and 93 day bills £97.710.
* 91 day bills: 92 day bills £97.735 and 93 day bills £97 710.

### OTHER CURRENCIES

| Sept. 23 | £ | $ | | Note Rates |
|---|---|---|---|---|
| Argentina Peso | 18.80-18.86 | 12.554-12.554 | Austria | 27.95-28.25 |
| Australia Dollar | 1.5780-1.6800 | 1.1162-1.1166 | Belgium | 81.45-82.25 |
| Brazil Cruzeiro | 1,074.5-1,079.5 | 716.0-719.0 | Denmark | 14.28-14.42 |
| Finland Markka | 8.5396-8.5528 | 5.6920-5.6940 | France | 12.05-12.15 |
| Greek Drachma | 139.35-139.95 | 92.80-92.90 | Germany | 3.97½-4.01½ |
| Hong Kong Dollar | 12.90¼-13.06¼ | 8.6-8.7 | Italy | 2410-2440 |
| Iran Rial | 131.60* | 87.50* | Japan | 351-356 |
| Kuwait Dinar (KD) | 0.437-0.438 | 0.29145-0.29150 | Netherlands | 4.44½-4.48½ |
| Luxembourg Fr. | 80.70-80.80 | 53.76-53.78 | Norway | 11.06-11.16 |
| Malaysia Dollar | 3.52-3.53 | 2.3465-2.3485 | Portugal | 184-200 |
| New Zealand Dlr. | 2.2880-2.2930 | 1.5255-1.5275 | Spain | 230¼-235 |
| Saudi Arab. Riyal | 5.2225-5.2250 | 3.4790-3.4800 | Sweden | 11.75-11.85 |
| Singapore Dollar | 3.2150-3.2260 | 2.1430-2.1440 | Switzerland | 3.22-3.25 |
| Sth. African Rand | 1.6685-1.6615 | 1.1060-1.1090 | United States | 1.49-1.51 |
| U.A.E. Dirham | 5.5010-5.5080 | 3.6720-3.6750 | Yugoslavia | 163-188 |

* Selling rates.

### CURRENCY MOVEMENTS

| Sept. 23 | Bank of England Index | Morgan Guaranty Change % |
|---|---|---|
| Sterling | 84.7 | −9.4 |
| U.S. dollar | 126.0 | +16.5 |
| Canadian dollar | 92.5 | +1.2 |
| Austrian schilling | 116.6 | +8.0 |
| Belgian franc | 90.9 | −11.2 |
| Danish kroner | 79.9 | −6.3 |
| Deutsche mark | 125.9 | +7.1 |
| Swiss franc | 151.4 | +12.8 |
| Guilder | 115.0 | +4.6 |
| French franc | 67.7 | −14.4 |
| Lira | 48.7 | −11.7 |
| Yen | 149.6 | +8.2 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

### CURRENCY RATES

| Sept. 23 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.701694 | 0.568441 |
| U.S. $ | 8½ | 1.05205 | 0.852490 |
| Canadian $ | 9.62 | 1.29764 | 1.05052 |
| Austria Sch | 3¾ | 19.7008 | 15.9586 |
| Belgian F | 9 | 56.6213 | 45.8640 |
| Danish Kr | 7½ | 10.0557 | 8.15961 |
| D mark | 4 | 2.80287 | 2.26933 |
| Guilder | 5 | 3.13406 | 2.53846 |
| French F | 9½ | 8.47932 | 6.86596 |
| Lira | 17 | 1695.64 | 1373.36 |
| Yen | 5½ | 253.186 | 205.109 |
| Norgwn Kr | 8 | 7.80616 | 6.31695 |
| Spanish Pta | — | 160.017 | 129.706 |
| Swedish Kr | 8½ | 8.27122 | 6.70228 |
| Swiss Fr | 4 | 2.27168 | 1.83899 |
| Greek Dr'ch | 20½ | 98.7354 | 79.1557 |

* CS/SDR rate for Sept 22, 1.29701.

### THE POUND SPOT AND FORWARD

| Sept 23 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 1.4970-1.5040 | 1.5015-1.5025 | 0.02cpm-0.03cdis | −0.20 | 0.07-0.12dis | −0.25 |
| Canada | 1.8470-1.8540 | 1.8495-1.8505 | 0.10c pm-par | 0.32 | 0.10-0.3 pm | 0.17 |
| Nethlnd. | 4.44½-4.48½ | 4.45½-4.46½ | 1¼-1c pm | 3.36 | 3¾-3½ pm | 3.25 |
| Belgium | 80.55-81.10 | 80.70-80.80 | 5c pm-5c dis | 0.15 | par-10c dis | −0.25 |
| Denmark | 14.32-14.40 | 14.34-14.35 | 1¾-3ore dis | −1.88 | 5¼-6¾ dis | −1.68 |
| Ireland | 1.2730-1.2800 | 1.2735-1.2745 | 0.16-0.19p dis | −1.65 | 0.53-0.58dis | −1.74 |
| W. Ger. | 3.98-4.01 | 3.98½-3.99½ | 1¼-1pf pm | 3.76 | 4-3½ pm | 3.76 |
| Portugal | 186.00-187.50 | 186.25-186.85 | 165-420c dis | −18.81 | 650-1230dis | −20.09 |
| Spain | 227.80-229.00 | 228.00-228.25 | 220-305c dis | −13.81 | 765-920dis | −14.77 |
| Italy | 2407-2424 | 2410-2412 | 18-19 lire dis | −8.71 | 48-53 dis | −8.54 |
| Norway | 11.10-11.16 | 11.11-11.12 | 2½-3½ore dis | −2.97 | 9¾-10¾ dis | −3.53 |
| France | 12.05-12.12 | 12.06½-12.07½ | 2½-3½c dis | −2.88 | 13-15 dis | −4.64 |
| Sweden | 11.77-11.83 | 11.79½-11.80½ | 2¼-3ore dis | −2.67 | 7¼-8 dis | −2.58 |
| Japan | 359-363 | 360-361 | 0.85-0.65y pm | 2.50 | 2.45-2.25 pm | 2.61 |
| Austria | 28.00-28.10 | 28.05-28.10 | 9½-8gro pm | 3.74 | 22½-20 pm | 3.03 |
| Switz. | 3.22-3.25½ | 3.22½-3.23½ | 1½-1¼c pm | 5.11 | 4¼-3¾ pm | 4.95 |

Belgian rate is for convertible francs. Financial franc 81.55-81.65.
Six-month forward dollar 0.29-0.33c dis. 12-month 0.70-0.80c dis.

### THE DOLLAR SPOT AND FORWARD

| Sept 23 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.4970-1.5040 | 1.5015-1.5025 | 0.02cpm-0.03cdis | −0.20 | 0.07-0.12dis | −0.25 |
| Ireland† | 1.1763-1.1790 | 1.1780-1.1790 | 0.29-0.20c pm | 2.50 | 0.78-0.68 pm | 2.44 |
| Canada | 1.2317-1.2326 | 1.2317-1.2321 | 0.08-0.05c pm | 0.63 | 0.17-0.14 pm | 0.50 |
| Nethlnd. | 2.9670-2.9760 | 2.9670-2.9690 | 0.97-0.87c pm | 3.71 | 2.67-2.57 pm | 3.52 |
| Belgium | 53.72-53.84 | 53.76-53.78 | 4-2c pm | 0.67 | 4-1 pm | 0.18 |
| Denmark | 9.5500-9.5750 | 9.5500-9.5600 | 0.60-1.30ore dis | −1.32 | 1.80-2.30dis | −0.85 |
| W. Ger. | 2.6550-2.6720 | 2.6565-2.6575 | 0.91-0.86pf pm | 3.96 | 2.64-2.61 pm | 3.96 |
| Portugal | 124.15-124.60 | 124.15-124.45 | 110-290c dis | −18.80 | 450-800dis | −20.09 |
| Spain | 152.00-152.25 | 152.00-152.10 | 130-170c dis | −11.84 | 460-550dis | −13.15 |
| Italy | 1,605-1,611 | 1,605-1,606 | 7½-12 lire dis | −9.14 | 33-35 dis | −8.46 |
| Norway | 7.3925-7.4140 | 7.3925-7.4025 | 1.60-1.90ore dis | −2.83 | 5.80-6.10dis | −3.21 |
| France | 8.0300-8.0700 | 8.0375-8.0425 | 1.35-2.15c dis | −3.02 | 8.80-9.30dis | −4.50 |
| Sweden | 7.8520-7.8635 | 7.8520-7.8620 | 1.75-1.95ore dis | −2.82 | 5.00-5.20dis | −2.59 |
| Japan | 239.55-241.40 | 239.85-239.95 | 0.47-0.57y pm | 2.72 | 1.75-1.70 pm | 2.87 |
| Austria | 18.71-18.79½ | 18.71-18.77½ | 5.40-4.70gro pm | 3.85 | 17-15 pm | 3.42 |
| Switz. | 2.1460-2.1615 | 2.1495-2.1505 | 0.96-0.91c pm | 5.22 | 2.82-2.77 pm | 5.20 |

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 54.32-54.37.

### EXCHANGE CROSS RATES

| Sept. 23 | Pound St'rling | U.S. Dollar | Deutschem'k | Japanese Yen | French Franc | Swiss Franc | Dutch Guild | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 1.502 | 3.993 | 360.5 | 12.07 | 3.230 | 4.460 | 2412. | 1.850 | 80.75 |
| U.S. Dollar | 0.666 | 1. | 2.658 | 240.0 | 8.036 | 2.150 | 2.969 | 1606. | 1.232 | 53.76 |
| Deutschemark | 0.250 | 0.376 | 1. | 90.29 | 3.024 | 0.809 | 1.117 | 604.0 | 0.463 | 20.23 |
| Japanese Yen 1,000 | 2.774 | 4.166 | 11.07 | 1000. | 33.49 | 8.960 | 12.37 | 6689. | 5.132 | 224.0 |
| French Franc 10 | 0.828 | 1.244 | 3.307 | 298.6 | 10. | 2.676 | 3.694 | 1998. | 1.532 | 66.89 |
| Swiss Franc | 0.310 | 0.465 | 1.236 | 111.6 | 3.738 | 1. | 1.381 | 746.6 | 0.573 | 25.00 |
| Dutch Guilder | 0.224 | 0.337 | 0.895 | 80.83 | 2.707 | 0.724 | 1. | 540.7 | 0.415 | 18.11 |
| Italian Lira 1,000 | 0.415 | 0.625 | 1.656 | 149.5 | 5.006 | 1.839 | 1.849 | 1000. | 0.767 | 33.49 |
| Canadian Dollar | 0.541 | 0.812 | 2.158 | 194.9 | 6.526 | 1.746 | 2.411 | 1304. | 1. | 43.65 |
| Belgian Franc 100 | 1.238 | 1.860 | 4.944 | 446.4 | 14.95 | 4.000 | 5.523 | 2986. | 2.291 | 100. |

## FINANCIAL FUTURES

### LONDON

**THREE-MONTH EURODOLLAR** $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 90.23 | 90.24 | 90.17 | 89.98 |
| March | 89.92 | 89.91 | 89.85 | 89.68 |
| June | 89.65 | 89.66 | 89.62 | 89.45 |
| Sept | 89.42 | — | — | 89.28 |
| Dec | 89.26 | — | — | 89.12 |

Volume 2,388 (1,865)
Previous day's open int. 6,083 (5,775)

**THREE-MONTH STERLING DEPOSIT** £250,000 points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 90.66 | 90.67 | 90.62 | 90.52 |
| March | 90.46 | 90.45 | 90.40 | 90.29 |
| June | 90.25 | 90.25 | 90.18 | 90.16 |
| Sept | 89.93 | — | — | 89.86 |
| Dec | 89.93 | — | — | 89.82 |

Volume 663 (624)
Previous day's open int. 4,621 (4,447)

**20-YEAR 12% NOTIONAL GILT** £50,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 105-16 | 105-18 | 105-16 | 105-09 |
| Dec | 106-10 | 106-26 | 106-07 | 106-05 |
| March | 107-25 | 108-05 | 108-05 | 107-22 |
| June | 107-16 | — | — | 107-09 |
| Sept | 107-03 | — | — | 107-02 |

Volume 2,755 (1,383)
Previous day's open int. 3,376 (3,339)
Basis quote (clean cash price of 13¼% Treasury 1998 less equivalent price of near futures contract) −2 to 06 (32nds)

**STERLING** £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 1.5010 | 1.5030 | 1.5000 | 1.4996 |
| March | 1.5030 | — | — | 1.5015 |
| June | — | — | — | — |

Volume 382 (413)
Previous day's open int. 984 (829)

**DEUTSCHE MARKS** DM 125,000 $ per DM

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 0.3771 | 0.3795 | 0.3768 | 0.3768 |
| March | 0.3825 | — | — | 0.3802 |
| June | — | — | — | — |

Volume 32 (35)
Previous day's open int. 413 (403)

**SWISS FRANCS** SwFr 125,000 $ per SwFr

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 0.4695 | 0.4690 | 0.4668 | 0.4667 |
| March | — | — | — | — |
| June | — | — | — | — |

Volume 3 (3)
Previous day's open int. 88 (66)

**JAPANESE** Y12.5m $ per Y100

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 0.4195 | 0.4197 | 0.4178 | 0.4147 |
| March | 0.4227 | — | — | — |
| June | — | — | — | — |

Volume 1 (32)
Previous day's open int. 172 (165)

### CHICAGO

**U.S. TREASURY BONDS (CBT)** 8% $100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 72-19 | 72-23 | 72-07 | 71-29 |
| March | 72-02 | 72-06 | 71-22 | 71-11 |
| June | 71-20 | 71-23 | 71-08 | 70-28 |
| Sept | 71-08 | 71-10 | 70-29 | 70-16 |
| Dec | 70-30 | 71-00 | 70-19 | 70-06 |
| March | 70-22 | — | — | 69-30 |
| June | 70-15 | — | — | 69-23 |
| Sept | 70-09 | 70-10 | 69-31 | 69-17 |
| Dec | — | — | — | — |
| March | — | — | — | — |
| June | — | — | — | — |

**U.S. TREASURY BILLS (IMM)** $1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Sept | 91.13 | 91.20 | 91.13 | 91.11 |
| Dec | 90.97 | 91.00 | 90.93 | 90.87 |
| March | 90.59 | 90.64 | 90.59 | 90.55 |
| June | 90.34 | 90.41 | 90.34 | 90.32 |
| Sept | 89.93 | 89.43 | — | 89.91 |
| Dec | 89.52 | — | — | 89.86 |
| March | 89.72 | 89.82 | 89.71 | 89.72 |
| June | 89.52 | 89.63 | 89.48 | 89.64 |

**CERT. DEPOSIT (IMM)** $1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Sept | 90.71 | 90.80 | 90.71 | 90.71 |
| Dec | 90.38 | 90.42 | 90.36 | 90.29 |
| June | 89.72 | 89.76 | 89.72 | 89.64 |

**THREE-MONTH EURODOLLAR (IMM)** $1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 89.93 | 89.97 | 89.92 | 89.85 |
| March | 89.58 | 89.63 | 89.58 | 89.51 |
| June | 89.35 | 89.39 | 89.35 | 89.28 |
| Sept | 89.12 | 89.14 | 89.12 | 89.06 |
| Dec | 88.92 | 88.93 | — | 88.86 |
| March | 88.72 | 88.73 | — | 88.65 |

**STERLING (IMM)** $e per £

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 1.5015 | 1.5050 | 1.5000 | 1.5025 |
| March | 1.5035 | 1.5070 | 1.5025 | 1.5040 |
| June | 1.5055 | 1.5070 | 1.5055 | 1.5065 |
| Sept | 1.5070 | — | — | 1.5085 |

**GNMA (CBT)** 8% $100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 69-06 | 69-15 | 68-27 | 68-28 |
| March | 68-09 | 68-17 | 67-30 | 67-31 |
| June | 67-18 | 67-20 | 67-09 | 67-08 |
| Sept | 67-01 | 67-01 | 66-29 | 66-23 |
| Dec | 66-19 | 66-20 | 66-11 | 66-09 |
| March | — | — | — | — |
| June | 65-29 | — | — | 65-19 |
| Sept | 65-21 | 65-21 | 65-14 | 65-11 |
| Dec | — | — | — | — |
| March | — | — | — | — |

### WEEKLY CHANGE IN WORLD INTEREST RATES

| | Sept. 23 | change | | Sept 23 | change |
|---|---|---|---|---|---|
| **LONDON** | | | **NEW YORK** | | |
| Base rates | 9½ | Unch'd | Prime rates | 11 | Unch'd |
| 7 day Interbank | 10$\frac{1}{16}$ | −⅜ | Federal funds | 9$\frac{1}{16}$ | −⅝ |
| 3 mth Interbank | 9$\frac{3}{16}$ | −$\frac{3}{16}$ | 3 Mth. Treasury Bills | 8.87 | −0.19 |
| Treasury Bill Tender | 8.9826 | −0.2272 | 6 Mth. Treasury Bills | 8.95 | −0.29 |
| Band 1 Bills | 9$\frac{1}{16}$ | Unch'd | 3 Mth. C D | 9.25 | −0.30 |
| Band 2 Bills | 9½ | Unch'd | **FRANKFURT** | | |
| Band 3 Bills | 9$\frac{7}{16}$ | Unch'd | Lombard | 5.50 | Unch'd |
| 3 Mth. Treasury Bills | 9 | −¼ | One Mth. Interbank | 5.65 | Unch'd |
| 1 Mth. Bank Bills | 9½ | −$\frac{1}{16}$ | Three month | 5.85 | Unch'd |
| 3 Mth. Bank Bills | 9⅛ | −$\frac{5}{16}$ | **PARIS** | | |
| **TOKYO** | | | Intervention Rate | 12.25 | Unch'd |
| One month Bills | 6.78125 | Unch'd | One Mth. Interbank | 12.4375 | −0.125 |
| Three month Bills | 6.78125 | Unch'd | Three month | 12.4375 | −0.125 |
| **BRUSSELS** | | | **MILAN** | | |
| One month | 8⅞ | −$\frac{3}{16}$ | One month | 17$\frac{1}{16}$ | Unch'd |
| Three month | 9¼ | −¼ | Three month | 17$\frac{1}{16}$ | Unch'd |
| **AMSTERDAM** | | | **DUBLIN** | | |
| One month | 5$\frac{9}{16}$ | −⅛ | One month | 12⅝ | −⅛ |
| Three month | 6$\frac{1}{16}$ | −⅛ | Three month | 12½ | −⅜ |

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 9⅜.

## MONEY MARKETS

# Hoping for lower rates

Being the first forecaster to foretell the exact time of the dollar's sustained fall may have as much kudos in future years as being the first person to climb Mount Everest. Many have tried and failed in the past, but all must now be asking whether the moment has finally arrived.

War in Lebanon seemed to be the only point in the dollar's favour last week, not because the worsening situation was thought to be good for the U.S., but on the argument that the dollar is a safe haven at times of world tension. Even this tended to wear thin on Friday afternoon, when an announcement was made about a possible ceasefire.

The week began on an encouraging note, after the U.S. M1 money supply rise failed to approach some of the more pessimistic estimates. A mood of cautious optimism built up in spite of the auction of $14.25bn in Treasury paper, and it increased when the results of Thursday's 20-year bond offering were described in New York as excellent.

A small cloud on the horizon concerned the Federal funds overnight rate, but this tended to evaporate on Friday when the rate stood at 9½ per cent as the Federal Reserve injected a further $1.5bn into the New York money market, after some significant intervention throughout the week. It was suggested that the generous amount of money flowing out of the Fed's coffers was a sign of an easier monetary stance by the U.S. authorities. However, this theory was never too convincing since it was far more likely that the Fed was concerned about the refunding package and seasonal market shortages caused by tax payments.

When Fed funds were reluctant to fall from the level of 9½ per cent caused by make-up distortions on Wednesday it seemed clear that an easing of monetary policy would have to wait a little longer. But by Friday's close the tone of financial markets was the most cheerful for many months, and as the dollar drifted down on the exchanges, sterling took a similar path as pressure for lower interest rates built up in both New York and London.

### LONDON MONEY RATES

| Sept. 23 1983 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Local Auth. negotiable bonds | Finance House Deposits | Company Deposits | Discount Market Deposits | Treasury Bills ♦ | Eligible Bank Bills ♦ | Fine Trade Bills ♦ |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 9 10½ | 10 | — | — | 9½-10¼ | 9-10 | — | — | — |
| 2 days notice | — | — | 9¾-9⅞ | — | — | — | — | — | — | — |
| 7 days or | — | — | — | — | — | 10¼ | — | — | — | — |
| 7 days notice | — | 9⅞ 10¼ | 9¾-9⅞ | — | — | — | 9½-9¾ | — | — | — |
| One month | 9$\frac{11}{16}$-9$\frac{9}{16}$ | 9¾ 9⅞ | 9¾ | 9⅞-9⅝ | 9¾ | 10⅛ | 9⅝ | 9½ | 9½ | 10⅛ |
| Two months | 9$\frac{9}{16}$ 9½ | 9⅝-9¾ | 9$\frac{9}{16}$ | 9⅞ 9⅝ | 9⅝ | 10 | 9⅛ | 9$\frac{5}{16}$ 9¼ | 9$\frac{5}{16}$-9$\frac{7}{32}$ | 9$\frac{23}{32}$ |
| Three months | 9½ 9⅜ | 9½ 9$\frac{9}{16}$ | 9⅝ | 10 9⅝ | 9⅝ | 9⅞ | 9 | 8$\frac{15}{16}$-9 | 9$\frac{1}{16}$-9$\frac{1}{32}$ | 9$\frac{21}{32}$ |
| Six months | 9$\frac{7}{16}$-9⅜ | 9½-9$\frac{9}{16}$ | 9⅝ | 9⅝-9 | 9⅝ | — | — | — | 9 | 9⅝ |
| Nine months | 9½ 9$\frac{7}{16}$ | 9⅝ 9$\frac{11}{16}$ | 9⅝ | 9⅞ 9½ | 9¾ | — | — | — | — | — |
| One year | 9⅝ 9$\frac{9}{16}$ | 9¾ 9$\frac{11}{16}$ | 9¾-9⅞ | 10 9⅝ | 9$\frac{13}{16}$ | — | — | — | — | — |
| Two years | — | — | 10½-10¾ | — | — | — | — | — | — | — |

ECGD Fixed Rate Export Scheme IV. Average Rate for interest period August 3 to September 6 1983 (inclusive) 9.930 per cent.

Local authorities and finance houses seven days' notice others seven days fixed. Long-term local authority mortgage rates nominally three years 11 per cent; four years 11¼-11½ per cent; five years 11¼-11½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four months' bank bills 9$\frac{7}{32}$-9$\frac{5}{32}$ per cent; four months' trade bills 9$\frac{21}{32}$ per cent.

Approximate selling rate for one-month Treasury bills 9¼-9$\frac{7}{32}$ per cent; two months 9⅛ per cent and three months 8$\frac{31}{32}$-8⅞ per cent. Approximate selling rate for one month bank bills 9$\frac{7}{16}$-9$\frac{13}{32}$ per cent; two months 9$\frac{5}{16}$-9¼ per cent and three months 8$\frac{15}{16}$-9 per cent; trade bills 9⅞ per cent; two months 9$\frac{25}{32}$ per cent and three months 9$\frac{21}{32}$ per cent.

Finance Houses Base Rate (published by the Finance Houses Association) 10 per cent from September 1, 1983. London and Scottish Clearing Bank Rates for lending 9½ per cent. London Deposit Rates for sums at seven days' notice 6 per cent.

Treasury Bills: Average tender rates of discount 8.9826 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9¾ per cent; one-three months 9¾ per cent; three-six months 10 per cent; six-12 months 10¼ per cent. Under £100,000 9½ per cent from September 13. Deposits held under Series 4-5 10 per cent. The rates for all deposits withdrawn for cash 8 per cent.

## INTEREST RATES

### EURO-CURRENCY INTEREST RATES
(Market closing rates)

| Sept. 23 | Short term | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 9¾ 10 | 9¾-9⅞ | 9⅝-9¾ | 9$\frac{7}{16}$-9$\frac{9}{16}$ | 9⅛-9⅝ | 9¾-9⅞ |
| U.S. Dollar | 9 9¼ | 9⅛-9⅜ | 9$\frac{7}{16}$-9$\frac{11}{16}$ | 9⅛-9¾ | 9¾-10 | 10$\frac{1}{16}$-10$\frac{3}{16}$ |
| Can. Dollar | 8½-9 | 8½-9 | 8$\frac{13}{16}$-9$\frac{1}{16}$ | 9$\frac{1}{16}$-9$\frac{5}{16}$ | 9$\frac{5}{16}$-9$\frac{11}{16}$ | 9$\frac{13}{16}$-10$\frac{1}{16}$ |
| D. Guilder | 5¾-5⅞ | 5¾-6 | 5⅞-6 | 6⅛-6¼ | 6¼-6⅜ | 6½-6⅝ |
| S. Franc | 1$\frac{5}{8}$-1⅞ | 1⅝-1⅞ | 4$\frac{1}{16}$-4½ | 4⅛-4½ | 4⅜-4⅝ | 4$\frac{7}{16}$-4$\frac{9}{16}$ |
| Deutschm'rk | 5$\frac{1}{16}$-5$\frac{3}{16}$ | 5$\frac{7}{16}$-5⅝ | 5$\frac{7}{16}$-5⅝ | 5$\frac{9}{16}$-5$\frac{11}{16}$ | 5$\frac{15}{16}$-6 | 6¼-6⅜ |
| Fr'nch Franc | 12-12¼ | 12¼-12½ | 12⅜-12⅝ | 14-14¼ | 15½-15¾ | 15⅞-16⅛ |
| Italian Lira | 17-19 | 17½-21 | 18½-20 | 18-19 | 18¼-19 | 18½-19⅞ |
| Belg. Franc. Conv. | 7½-8½ | 8-9 | 8¾-9¼ | 9¼-9¾ | 9½-10 | 10-10½ |
| Fin. | 8-8½ | 8½-9 | 8¼-9 | 9¼-9½ | 9⅛-9¾ | 10-10¼ |
| Yen | 7¼-7⅞ | 7¼-7⅞ | 6$\frac{11}{16}$-6$\frac{13}{16}$ | 6$\frac{1}{16}$-6$\frac{3}{16}$ | 6$\frac{1}{16}$-6$\frac{3}{16}$ | 6$\frac{5}{16}$-6$\frac{9}{16}$ |
| D. Krone | 11-11¼ | 10¾-11⅜ | 11 11½ | 10¾-11 | 11-11¼ | 11-11⅜ |
| Asia $ (Sing.) | 9$\frac{1}{16}$-9$\frac{3}{16}$ | 9$\frac{1}{16}$-9$\frac{3}{16}$ | 9$\frac{7}{16}$-9$\frac{9}{16}$ | 9⅝-9¾ | 9$\frac{13}{16}$-9$\frac{15}{16}$ | 10$\frac{1}{16}$-10$\frac{3}{16}$ |

### FT LONDON INTERBANK FIXING

11.00 a.m. SEPTEMBER 23

| 3 month U.S. dollars | | 6 month U.S. dollars | |
|---|---|---|---|
| bid 9 5/8 | offer 9 3/4 | bid 9 7/8 | offer 1 0 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK**
Prime rate .......... 11
Fed funds (lunch-time) .......... 9.9⅛
Treasury bills (13-week) .......... 8.87
Treasury bills (26-week) .......... 8.92

**GERMANY**
Lombard .......... 5.5
Overnight rate .......... 5.50
One month .......... 5.65
Three months .......... 5.85
Six months .......... 6.30

**FRANCE**
Intervention rate .......... 12.25
Overnight rate .......... 12.25
One month .......... 12.4375
Three months .......... 12.4375
Six months .......... 12.5625

**JAPAN**
Discount rate .......... 5.5
Call (unconditional) .......... 6.65625
Bill discount (3-month) .......... 6.84375

**SWITZERLAND**
Discount rate .......... 4
Overnight rate .......... 1-2
One month .......... 4$\frac{5}{16}$-4$\frac{7}{16}$
Three months .......... 4$\frac{5}{16}$-4$\frac{7}{16}$

**NETHERLANDS**
Discount rate .......... 5½
Overnight rate .......... 5½-5⅝
One month .......... 5⅞-6
Three months .......... 6⅛-6¼
Six months .......... 6¼-6⅜

**$ CERTIFICATES OF DEPOSIT**
One month .......... 9.4-9.5
Three months .......... 9.45-9.55
Six months .......... 9.6-9.7
One year .......... 9.9-10.1

**LONG TERM EURO $**
Two years .......... 11⅛-11⅜
Three years .......... 11¾-12
Four years .......... 11¾-12
Five years .......... 12-12¼

**SDR LINKED DEPOSITS**
One month .......... 8$\frac{13}{16}$-9$\frac{1}{16}$
Three months .......... 8⅞-9⅛
Six months .......... 9$\frac{1}{16}$-9$\frac{5}{16}$
One year .......... 9$\frac{7}{16}$-9$\frac{11}{16}$

**ECU LINKED DEPOSITS**
One month .......... 8$\frac{5}{16}$-9⅛
Three months .......... 9$\frac{1}{16}$-9½
Six months .......... 9$\frac{13}{16}$-10
One year .......... 10-10¼



FINANCIAL TIMES SURVEY

# UK BANKING

**Changes are occurring thick and fast in the domestic banking scene, with mounting competition from the building societies and other financial institutions
International operations are troubled by sovereign debt problems.
Installation of electronic systems will have a major impact on branches**

## Lively scenario for the future

By ALAN FRIEDMAN

**BRITISH BANKS remain among the most profitable in the world, yet they are now engaged in a major battle for customer deposits with building societies and other financial institutions.**

The battle has intensified more in the past year than at any time over the past few decades and there is every sign that the going will get rougher still in the years to come.

In a recent speech Mr Timothy Bevan, chairman of Barclays Bank, warned that building societies could present Britain's banks with a "formidable challenge" and he predicted that the banks will need to work hard to maintain their share of personal deposits.

Mr Bevan's remarks must be viewed in the context of a banking environment where the traditional source of "free money"—non-interest bearing current accounts—is declining. The banks are relying increasingly on costly wholesale funds and this is partly a result of the shift of deposits to the societies.

While at home the banks have been contending with a revolution in retail banking, and a more genuinely competitive atmosphere than ever before, the international banking industry has been hit by the sovereign debt crisis. British banks have been forced to make hefty bad debt provisions; last year saw a more than doubling of the Big Four clearers' total provisions to £962m.

Although there are signs that the total provisions for the first half of this year are tailing off from the peak of last year, the Big Four saw their combined interim provisions rise to £566m against a level of £330m in the first half of 1982.

To place these provisions in perspective, it is worth noting that when compared to the dithering and sometimes cynical approach of major U.S. money centre banks, the British banks have been far more responsible in making their international debt provisions. But the UK banks are also finding they need to make large provisions for failing domestic companies—and even if the Thatcher Government's talk of economic recovery is borne out, a number of British companies are expected to fail nonetheless.

British banks are thus facing a number of challenges which will tax the skills of senior management to the hilt. They key problems they face can be summed up as the following.

● Competition from the building societies, which now have 48 per cent of UK personal deposits against the banks' 37 per cent, will intensify. Not only are aggressive societies, such as the Abbey National, offering new cheque and save accounts, attractive new term share accounts and a variety of services, such as travellers' cheques and cash dispensers, but the societies themselves are on the threshold of new competition which will result from Abbey's recent decision to quit the societies' interest rate fixing cartel.

● With the major clearers on the road to higher 1983 profits, the Government is said to be seriously considering new bank taxation. The banks are notoriously reluctant tax-payers and Mrs Thatcher is known to have little sympathy for them.

● As the competition for retail deposits mounts, the banks must get on with rationalisation programmes which will deal effectively with their inefficient and overblown branch networks.

● Because of the distressed nature of so many corporate bank clients, the banks are in danger of becoming equity investors in certain parts of British industry. A shroud of secrecy surrounds the various "intensive care" units of the banks, but it is clear that in a number of cases the banks are moving from their traditional position of being risk assessors to a new role as risk takers.

Mr Timothy Bevan (left), chairman of Barclays Bank, and Mr Clive Thornton, chief general manager of Abbey National Building Society—two of the opposing commanders in the battle for customer deposits

### Wholesale money

The need to support a number of ailing UK companies has been evinced in the banks' bad debt provisions over the past year. The only Big Four clearer to report lower profits at the half-year was Lloyds Bank, and while Lloyds is the clearing bank most deeply involved in Latin American debt matters, its interim setback was related largely to its domestic operations.

Domestic Lloyds Bank profits were down by 20 per cent in the first six months of this year, a result of higher UK bad debt provisions and also because of a greater reliance on wholesale money. Lloyds, like others, was hit by higher staff costs as well.

The major clearers employ vast armies of branch staff, far greater than would be necessary if they were to make effective use of new electronic banking technology. The most serious overstaffing problem exists at Midland Bank traditionally the least profitable of the clearers, but one which is now on the road to improvement largely because of a new senior management which is taking the hard decisions.

Midland's case typifies the problems the banks face: it has a bloated branch network, built in the 1920s or earlier. Its branches are increasingly dowdy, off-putting to customers and in the wrong locations. Midland's chief executive — Geoffrey Taylor—knows that if he is to build up his bank's profitability he must embark upon a serious programme of branch rationalisation. He has recruited a number of new top executives from outside the bank to replace some of the stodgy, traditional clearing bankers who have been unable or unwilling to do what was required.

Barclays Bank is also embarked upon a programme of strategic branch closures. Over the next two years Barclays will close 150 branches and offer early retirement to 350 managers. But is this enough? Given the realities of dealing with bank staff unions and customer needs, it is probably as much as any bank can achieve in the near term. One senior clearing banker threw up his hands recently and declared with a pained look on his face: "I couldn't close 500 branches if I wanted to."

Nonetheless, the banks will have to make use of automated teller machines (ATMs), rapid cash electronic dispensers inside branches, electronic funds transfer devices in supermarkets and shopping centres, and more, if they are to fight the rising costs of bloated branch networks.

The need to rationalise branch networks is an internal problem for the banks. Meanwhile, they are facing an unprecedented degree of competition from societies and even from National Savings, which has raised its share of UK personal deposits to 15 per cent from 11½ per cent three years ago.

A number of building society executives are now hoping to widen their activities to include full estate agency services,, a one-stop home purchase plan, personal loans, money broking, hire purchase and even unit trust services. Links between Abbey National and the Co-operative Bank, and between the Leicester Building Society and America's Citibank, point the way.

### Into disarray

With the Abbey's withdrawal from the rate fixing cartel, the Building Societies Association (with 163 members) has been thrown into disarray. As news of the Abbey withdrawal leaked earlier this month, the BSA announced it had started a three-month review of current interest rate agreements between societies. The eventual result of this study is likely to be an abandonment of the undertakings given by BSA members to be bound by rate recommendations from the BSA council.

The road ahead for societies will not necessarily be free of obstacles: the Government has intimated that there is likely to be new building societies legislation, and the former Governor of the Bank of England, Lord Richardson, has warned the societies to take care with their expansion plans. Lord Richardson's warning should put the societies on their guard — if they attempt to branch out into loan businesses which are traditionally the preserve of the banks, they could lose some of their in-built advantages and find themselves regulated far more stringently in future.

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**PROFILE: Robin Leigh-Pemberton, Governor, Bank of England**

# Keeping a low profile

Mr Leigh-Pemberton: an affable Governor

MR ROBIN LEIGH-PEMBERTON may well prove to be the most affable Governor the Bank of England has ever had. Since taking over in July as Governor of what is probably the best-run central bank in the world, Mr Leigh-Pemberton has posed gracefully for countless photographs and has already, according to Bank insiders, managed to promote a more relaxed atmosphere at Threadneedle Street.

Mr Leigh-Pemberton is a barrister by training, an old Etonian, a former Grenadier Guard, and served as chairman of National Westminster Bank from 1976 until earlier this year.

His home is a 2,500-acre farm—Torry Hill—in Kent which comes complete with a private model steam railway. He is married, has five sons, and is resident for most of the week at the Governor's official flat at New Change, just a stone's throw from St Paul's Cathedral.

At the age of 56, Mr Leigh-Pemberton says he is "lucky to have a job like this." He is a modest man, almost to the point of being self-deprecating. His job as chairman of NatWest involved a great deal of travelling and ambassadorial work. Being a charming man, the new Governor is certainly a consummate diplomat.

For a man as blessed with charm and affability as Mr Leigh-Pemberton, the controversy which surrounded his appointment as Governor last Christmas must have been distinctly unsettling.

The announcement was rushed out late one afternoon, and immediately caused controversy in the City. There were suggestions that he would be party to the emasculation of the Bank by the Treasury, and that as a Conservative Party member he would not put up the kind of resistance to Whitehall which marked the tenure of Lord Richardson, his predecessor.

As if these charges were not enough, the controversy deepened a few days later when Mr Leigh-Pemberton made remarks about inflation and the international debt crisis which in retrospect seem ill-judged. He told an audience of television viewers that inflation was a greater threat to Western democracy than Communism and surprised the international banking community with the comment that the international debt crisis was "over, if ever there was a crisis."

Given the state of major problem debtors such as Mexico and Brazil, the Governor-designate's comments were regarded by central and commercial bankers in New York, Washington, Zurich and elsewhere as less than apposite.

Mr Denis Healey, for the Labour Party, mocked the new Governor, describing him as an excellent cricketer, an avid pheasant shooter, but a novice in matters of international banking.

## Criticism declines

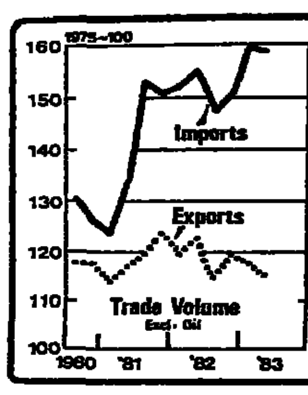
Since taking office in July Mr Leigh-Pemberton has maintained a low profile. According to Bank insiders he is happy to delegate various responsibilities to his able staff. His manner is relaxed, and he is an eager reader of the many documents contained in his nightly dispatch case.

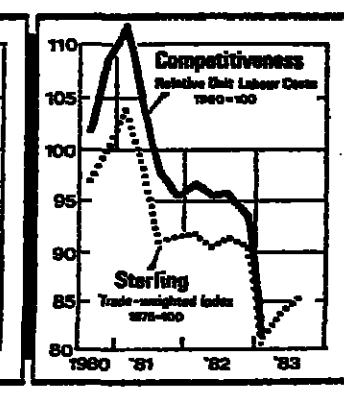
The criticism has died down now and the City is taking a wait-and-see attitude to the new Governor. He will have his first opportunity to present his views as Governor at the annual Mansion House luncheon next month, when he is expected to make his first major policy pronouncements.

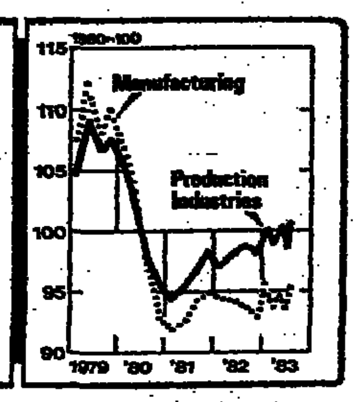
ALAN FRIEDMAN

Max Wilkinson, Economics Correspondent, highlights the divergence of views over Britain's economic prospects in the coming year

# Opinions sharply divided




OPINIONS NOW seem quite sharply divided about the likely fate of the UK economic recovery next year.

On the one hand the Treasury remains firmly optimistic that the recovery will be rather stronger this year than it was expecting in March and that the recovery will continue solidly into 1984. It declines to speculate beyond that even in the twilight of nods and hints.

On the other hand both the National Institute of Economic and Social Research and the Confederation of British Industry suggest in their most recent assessments that the pace of economic growth is already reaching a peak and will slow down or perhaps come to a complete standstill next year.

The majority of City analysts are tending to side with this more pessimistic view, but there are other independent forecasters, notably the London Business School's Centre for Economic Forecasting which agree with the Treasury that growth will continue at a relatively encouraging pace, and perhaps accelerate somewhat.

The divergence of these views of Britain's economic prospects is not quite as dramatic as it may sound at first, because even the optimists expect a relatively feeble rate of growth compared with past recoveries.

For this year, the Treasury's official forecast in March was for a rise in output of 2 per cent compared with the average for last year. In its more recent, unpublished, projections the Treasury has been looking for growth of 2½ per cent this year.

The London Business School, which has been broadly sympathetic to the Government's monetarist strategy, sees about the same rate of growth for this year with a slight pick-up in 1984 and 1985 to a growth rate of about 2½ per cent and then a slowing down to 2 per cent in 1986.

It therefore endorses the Government's hope that present policies will lead to "moderate, sustainable growth," though it has to be said that these growth rates would be so moderate that unemployment in 1986—though declining—would still be higher than it was last year.

In contrast, the National Institute, now headed by an ex-Treasury economist, Mr Andrew Britton, expects growth to come to an end early next year, with only a ½ per cent rise in output between the first and fourth quarters of 1984.

The main reasons for doubting the durability of the present recovery appears to be: uncertainty about the strength of world recovery, and of Britain's ability to improve its trading performance, a belief that the recent consumer boom will fade away without triggering a new cycle of increased investment, and general worries about the future of wage inflation.

## Predictions

In reviewing the state of the world, most commentators are agreed that recovery in Europe is likely to be extremely sluggish this year with the UK uncharacteristically leading the way. The latest forecast in July from the Organisation for Economic Co-operation and Development (OECD) in Paris suggested that European output would grow by only ½ a per cent this year and by only 1½ per cent next year.

Such low projected growth rates imply a worrying uncertainty as to whether Europe might slip back into recession if the world economy were subjected to even a minor shock. Output in the U.S. is expected to rise by 3 per cent this year and 4½ per cent next year, which implies some slowing down from the very rapid pace of recovery in the early part of this year.

Britain's exports are generally expectedto improve next year in response to a more buoyant state of world trade. It is hoped that greater competitiveness, resulting mainly from higher productivity and moderating wage increases in the last two years will help the UK to take advantage of a better international trading climate.

Britain's labour costs per unit of output relative to those of other countries fell by 27 per cent between the beginning of 1981 and the start of this year, when competitiveness had returned to its average level for 1970. However, the subsequent rise in sterling will have eroded some of that gain.

Improved competitiveness does not yet seem to be reflected in the trading performance of British industry, on the other hand. The current account of the balance of payments appears to have been moving back into deficit during the summer in spite of the very large surplus now earned on oil trade. The latest official estimate puts the deficit in the second quarter of 1983 at £300m compared with a surplus of £780m in the first quarter.

Exports of goods other than oil have fallen in volume by 3 per cent in the seven months to July, compared with the average for last year, while the persistent tendency for the British economy to suck in more imports of non-oil goods appears to have continued this year. The average volume of these imports was 5 per cent higher in the seven months to July than the average for last year.

The continued disappointing trade performance has two serious implications for the durability and strength of recovery. The first is the obvious point that the increase in domestic demand, which has mainly come from consumer spending so far, leaks to an increasing extent into imports. The stimulus to jobs and longer term industrial investment by UK companies is therefore attenuated.

## Deficits

Perhaps more worrying in the medium term is the possibility that the benefits of North Sea oil to the balance of payments have been so rapidly eroded that looming deficits and currency crises may once again act as a brake on the growth of the UK economy.

Most independent forecasters do not predict very large deficits for the next few years, but that is partly because they also expect growth to be slow by historic standards.

If growth were to pick up to a rate of say 4 to 5 per cent, enough to make a substantial dent on the unemployment figures, it is fairly clear that the Government would face the familiar dilemma of whether to risk the inflationary consequences of a sharp fall in sterling or to rein back domestic demand. In the absence of a credible incomes policy, it seems probable that growth would have to be sacrificed.

For the more immediate future the key questions are whether the recent consumer boom has much steam left in it. In the first half of this year, new car registrations were running 9 per cent ahead of the average for 1982 and 14 per cent ahead of the average for the two preceding years. The volume of retail sales in the first half of this year was 5 per cent above the average for last year.

This rise in consumer spending reflects partly the lifting of hire purchase restrictions last summer, but more importantly the rise in disposable income, as mortgage payments fell last year while average earnings rose by about 3 percentage points faster than the inflation rate.

However, the inflation rate is expected to rise gently for the rest of this year, while the Government hopes that wage settlements will continue the downward trend of the past two years to bring the annual rate of increase in average earnings down from the underlying 7½ per cent reached this summer.

If the consumer "mini-boom" starts to tail off towards the end of the year, the pessimistic commentators argue that the incentive to increase stocks and industrial investment will be diminished, even if interest rates were to fall a point or so.

Certainly, bank borrowing by industry appears to have been very slack in the early summer. This no doubt reflects improved profits and cash flow, but it does not accord with the revival of company investment which would normally be expected as a recovery gathers pace.

## Interest rates

There remains the hope that interest rates can eventually be reduced to provide a further stimulus for consumer demand and an incentive to companies to step up investment plans.

The prospect of any significant cut in the next several months do not look very bright, however. Rising inflation figures, even if widely expected, are unlikely to encourage the financial markets to bid rates down. At the same time the money supply figures, though improving, are still well above the target range this year, so that the Bank of England is likely to continue its heavy funding programme, with a consequent upward pressure on long term rates.

Under present policies, there is no doubt that the talisman for sustained recovery must be a further moderation of wage settlements. This would allow industry to improve or at least maintain its international competitiveness and free the anti-inflation strategy from its present short-term dependence on maintaining a firm exchange rate.

Although the exchange rate is only one of several "indicators" used to assess "monetary conditions," it has assumed a fairly central place in policy over the past few years, if only because it is the indicator which can be watched from day to day and hour to hour.

If wage costs could be controlled, the economy could reap the double benefit of better export competitiveness and lower interest rates which might be associated with some fall in the value of sterling. This is the virtuous circle which the Government wants and to some extent expects, although at present any slippage of the pound trade weighted value against a basket of currencies by more than about 5 to 6 per cent would probably be viewed with some alarm.

Everything, therefore, depends upon the Government's ability to achieve lower inflation and particularly lower wage settlements next year without having to apply the further squeeze on the economy which might become necessary if money incomes and the money supply seemed likely to rise at an accelerating rate. For this reason the Government's economic strategy appears now to be approaching a critical phase.

# Sweeping changes under way

## Building societies

MARGARET HUGHES

THE LIFTING in 1980 of the third "corset" and other regulatory restraints on banking gave banks the green light to compete more directly and vigorously with the building societies. The main impact has been the dramatic inroads made by the banks into the mortgage business—breaking, at least for a time, the building societies' previously unchallenged monopoly of the home loans market.

At the peak in the summer of last year banks were providing 40 per cent of all new mortgage lending, leaving the building societies struggling to hang on to a market share reduced to 50 per cent from its normal 90 per cent. Even now, after their virtual retreat from the mortgage business, the clearing banks still retain a 25 per cent share, compared with only 8 per cent in 1980.

The building societies' uncharacteristically aggressive response to this new competition has triggered off sweeping changes within the movement, the latest being the likely collapse of the interest rate cartel. It will never again be the same cosy club it was before the banks came rushing into its mortgage domain.

First, the societies were forced to abandon their restrictive lending habits and match the banks' easier terms, offering 100 per cent-plus mortgages to cover both the furnishing as well as the purchase of a home, even to non-investors. But their success in regaining much of their lost market share this year owes more to the banks' self-imposed withdrawal than to any fresh initiatives from the societies. Indeed now that they are no longer so threatened by the banks they have been quick to revert to rationing mortgages — giving a maximum of 90 per cent, except to first-time buyers and, more recently charging higher interest rates on mortgages of over £25,000 — which is less than the cost of the average house to-day.

With some justification the societies argue that they have been forced back into their old ways by the banks' withdrawal from the market just when they had stimulated demand for mortgages. Equally relevant is that the building societies got the movement in interest rates wrong, lowering their rates in November just before market rates increased and not increasing them until July. By this time the amount of funds which they were able to attract at their lower rates was far short of that needed to meet the increased demand for mortgage funds.

Even so, on the savings side the building societies have been far more successful in keeping the banks at bay. While the banks exceeded their own expectations in the mortgage business they failed to capture a corresponding share of the savings deposits market. Rather, have the banks seen a further erosion of their retail deposit base.

The banks now have only 37 per cent of the personal deposits market, having lost their dominant position some years ago to the building societies, which now have a 48 per cent share. The banks, rather than the building societies, have latterly been the main victim of the National Savings movement, which now has a 15 per cent stake.

### Contrast

In the past two years alone the banks have seen their share of new deposits halved from 45 to 22 per cent, while building societies have upped their share to 56 per cent from 47 per cent. Over this same period National Savings' share has more than doubled to 20 per cent, largely at the expense of the banks.

Until the banks end their reliance on seven-day deposits paying only 6 per cent gross they cannot hope to compete with either the building societies or National Savings. They have attempted to overcome their relative disadvantage with some new savings and investment schemes but have so far made little impact. The day must come, if they are to retain a substantial presence in the personal deposit market, when they will be forced to increase their interest rates to attract an increasingly sophisticated public. Building societies will then have to brace themselves for the same kind of attack on their savings market as they suffered on the mortgage front.

As it is, the societies are already finding it tough going to retain their dominant position. Their task is being made more difficult with the restoration of National Savings role in the Government's funding programme and the emergence of the money market funds. Building societies have managed to hold on to their investors only by offering more costly term schemes paying premium interest rates. Term shares account now for as much as 62 per cent of net receipts compared with only 24 per cent in 1980. Most of the funds held in these are transfers from the ordinary share account which pays the recommended rate set by the BSA, currently standing at 7.25 per cent.

It is this fierce competition for funds to meet record mortgage demand, now running at £2bn a month, which is the central issue behind Abbey National's decision earlier this month to pull out of the interest rate cartel. The big societies have kept to the BSA recommended rates only to see their dominant market share being increasingly eroded by the smaller and medium-sized societies offering more attractive terms, even on the ordinary share account.

When the competition was concentrated on term shares, and the latter accounted for less than a quarter of net receipts, the smaller societies were a limited threat to the others, constrained as they were by their small branch network and marketing power. But in the last two years the competition for funds within the movement has become a battleground, with the big societies the main losers. The free-for-all was triggered early in 1981 when Cheltenham and Gloucester—not a small society but ranking twelfth in the societies league—broke ranks by launching its gold account.

This account offered all the benefits of an ordinary share account, including immediate withdrawal without loss of interest, but paid a 1 per cent premium above the ordinary share account rate. Since then several other societies have introduced short notice accounts which are virtually the same as the ordinary share account but pay higher interest.

The five leading societies had hoped to regain the market lost to the other societies as well as ward off competition from National Savings, with the new two year term shares which they launched on September 1.

These pay a guaranteed 1¼ per cent above the ordinary share rate. They would be available for a limited period only with the aim of pulling in an additional £1bn in funds to help eliminate the mortgage queues by the end of the year. But having launched these funds the Big Five then saw the smaller societies move in once again with seemingly more attractive terms. It is too soon to tell, however, whether this will in fact detract from the schemes of the Big Five, although clearly it was the last straw as far as the Abbey National is concerned.

The likely break-down of the societies' interest rate cartel, or at the very least an easing of its constraints, augurs ill for the banks. They will be confronted by even fiercer competition for savings which, indirectly, they have contributed to by shaking up the building society movement by their inroads into the mortgage business.

But more worrying perhaps is the way in which building societies have moved into the banking field by diversifying their financial services. They have already done so to a considerable extent, even within the limitations imposed by their existing legislation. If they are granted the powers which they are seeking they will become an even greater threat to the banking system. New technology in the provision of financial services will be the catalyst to help them.

# The arguments intensify

## Supervision

MARGARET HUGHES

AT THIS month's Institute of Bankers seminar Mr Timothy Bevan, chairman of Barclays, warned banks of the "formidable challenge" which they face from the building societies. It is a challenge which will be all the greater if the societies achieve the powers which they are seeking under promised legislation.

Although it will be some time yet before the legislation takes effect the shape of things to come is already very clear. Building societies are an industry in transition, on the verge of major structural changes which will bring them into more direct competition with the High Street banks.

In a very short time indeed a handful of societies have already made the move into the wider financial services field. They are offering interest bearing cheque book accounts, providing access to ATMs, either directly or in collaboration with banks supplying credit cards and travellers cheques. The first institution to offer home banking is a building society—the Nottingham—albeit in co-operation with a bank—the Bank of Scotland—and British Telecom. But a much bigger threat to the very heart of banking is this month's decision by the societies to introduce their own ATM system.

The societies are also anxious to become directly involved in point of sale transactions and are none too happy with the clearing banks' suggestions that they should only have subsidiary roles for which they will pay a high price.

The building society movement is itself very ambivalent over the extent to which societies should diversify into non-traditional, higher-risk areas. There is also a diversity of views on whether this should be done in collaboration with banks and other financial institutions or on a go-it-alone basis. What is clear is that the bigger societies at least will have to offer a wider range of services if they are to both remain profitable and attract the funds necessary to finance mortgages.

### Report

In anticipation of the legislation the Building Societies Association (BSA) commisioned a report published earlier this year by a working party, headed by Mr John Spalding, chief general manager of the Halifax Building Society, entitled the Future Constitution and Powers of Building Societies. Another report is in the pipeline updating these proposals.

Existing building society legislation dates back to 1962 and the societies argue that legislation which may have been appropriate when their total assets amounted to some £3m against to-day's £73m and the investment climate was far less competitive is no longer valid. It limits their ability to offer the kind of services which their members now demand and which their competitors have the freedom to provide.

Building societies cannot, for instance, offer cheque guarantee cards because this would mean that they would have to allow overdraft facilities. Under present legislation they can only lend in the form of a first mortgage which has to be secured against property.

The Spalding Report proposes an expansion of activities in two main areas. One would be into low risk housing operations where they would offer a one-stop house purchasing package, providing estate agency, surveyor and conveyancing services. The other, more controversial and high risk area, would allow them to establish, acquire or invest in banks and insurance companies and enable them to offer personal loans, hire purchase, money broking and unit trust management services. They also want to be able to hold and develop land for house-building.

The report proposes that such high-risk areas should be undertaken separately from their main line of business through subsidiaries to which they would not be allowed to allocate more than a prescribed proportion of their assets — a third of the amount by which a society's reserves exceed the reserves required for trustee status, which varies from 1.25 to 2.5 per cent, depending on the size of the society.

### Diversity

Not surprisingly, the societies' ambitions to diversify have come under attack from those who stand to suffer most from their competition. On the housing side they have been criticised by professional bodies representing estate agents, solicitors and surveyors, who forsee problems if the societies provide all the services involved in house purchase — a possible conflict of interest which the BSA recognises.

On the banking front the view is that if societies are to be allowed to compete freely, then they must do so on an equal footing. Banks are particularly unhappy with the tax advantages which societies enjoy — the composite rate which gives the tax-paying investor a higher income, the preferential corporate tax rate of 40 per cent and the absence of any tax on their profits from gilt-edged dealing.

Additionally the banks argue that building societies should be subject to the same monetary control which requires banks to deposit interest-free with the Bank of England 0.5 per cent of their deposits. At present banks and building societies are governed by two quite different regulatory frameworks — the banks by the Bank of England and the societies by the Registrar of Friendly Societies.

The BSA agrees that those subsidiary activities in the banking and insurance fields should be subject to the usual controls of the Bank of England and the Department of Trade but want their traditional business to remain under the existing supervisory system. The banks, however, argue that if the building societies are to be allowed to compete more directly then all their activities should come under the same regulatory body.

Indeed Lord Richardson, former Governor of the Bank of England, in his speech to the annual conference of the building societies this year, while agreeing that there should be some legislative changes, cautioned the movement over its expansionary ambitions. "The costs and risks of new ventures," he advised, "should be assessed fully in terms of capital and managerial load."

He pointed out that the "new environment" which the societies are seeking would make increased demands on their capital which, because their present status debars them from high risk activities, is relatively low by banking standards. Their managerial experience is also confined to their traditional, and thus limited, business, thus new management expertise would be required.

More important, he pointed out that expansion into those activities which would be governed by the Bank of England would have implications which go further than had been set out in the Spalding Report. While the report proposes that they should be undertaken by subsidiaries, to at least isolate any financial failure and so protect depositors, the Bank of England would none the less require the parent to support any subsidiary in case of need.

He elaborated by pointing out that even without this Bank requirement no parent organisation which itself took deposits from the public and depended upon a creditworthy name could expect to walk away from a subsidiary in trouble without risking a loss of confidence on the part of its own depositors.

# Dilemma over credit subsidies

**Export finance**
MARGARET HUGHES

BRITAIN'S commercial banks are being presented with a new challenge by the Government's commitment to the eventual and permanent elimination of export credit subsidies.

The days of large-scale interest rate subsidy of export credits are coming to an end. The subsidy element has already been reduced by the OECD Concensus which has brought export credit rates closer to market rates. The problem with the Concensus at present for exporters and their customers is that for most currencies its rates are above prevailing market rates but the participants have so far been unable to agree on adjusting them.

Britain, alone among the major exporting countries, is the only one where all export finance is provided by commercial banks. The banks put up the finance while the Export Credits Guarantee Department (ECGD) provides 100 per cent unconditional guarantees against non-payment by the borrower (buyer). In addition the Government makes up the difference to the banks between the fixed, concessionary (usually) export credit rates, set now by the Consensus, and market rates.

Over the years this interest rate subsidy has become a substantial drain on Government funds — to the tune of £587m last year. To some extent this has been reduced by the Consensus, although it will take time for earlier commitments to work through before the full benefits are felt.

But in an attempt to reduce the burden further ECGD is now encouraging British companies to consider financing exports on a "pure cover" basis.

Under this arrangement ECGD still provides the guarantee but would not provide any interest rate make-up. All other Consensus conditions such as minimum down payment and maximum repayment terms would still apply but the interest rate would be a matter for negotiation between the banks and the borrower and thus would be at market rates.

That at least is the theory. The problem is that buyers have come to expect and demand long-term fixed rate financing of their plant and equipment purchases. All other financing, including that by UK banks to fund themselves, is done on a variable floating rate basis. Thus to finance exports on a pure cover basis banks have somehow to overcome the mismatch of providing long-term fixed rate export credits from funds which they have to raise both at floating rates and on a short-term roll-over basis.

## Fluctuations

The same situation applies to most other currencies, with the exception of the Swiss franc, the Deutschemark and, to some extent, the yen where it is possible to raise funds in the market on a fixed-rate long-term basis — largely because with strong currencies the fluctuations in interest rates are usually smaller and the risks therefore lower.

Alternative sources of funding export credits in Britain are now under active discussion. In most other major exporting countries non-commercial banking organisations exist, in varying degrees, to provide fixed-rate finance. Alternatively, in countries like Switzerland and West Germany, exports are mostly financed at market rates.

Proposals for establishing an institution in Britain along the lines of an Eximbank have been discussed from time to time and are again under consideration. But for ECGD or any similar organisation to be given borrowing powers would involve public expenditure and thus increase the public-sector borrowing requirement (PSBR) which would be against Government policy.

Given that there is at least for the time being little prospect of setting up an Eximbank equivalent there is an urgent need for the commercial banks to come up with new sources of funding fixed rate export credits for as long as such financing is required. Ultimately the hope is that it can be eliminated, with borrowers accepting variable rates.

The funding could be provided, either directly or through the banks, by pension funds and insurance companies which already operate in the long-term fixed rate market. But although they have been approached by ECGD they have so far shown no enthusiasm for getting involved in export credits.

This leaves two other possibilities. The commercial banks could get together to form a consortium along the lines of Ausfuhrkredit (AKA) of West Germany, which refinances long-term loans to exporters. The advantage of this over an Eximbank would be that as a private organisation it could enjoy the advantages of ECGD pure cover without being subject to the constraints of the Consensus.

Another possibility would be for export credits to be funded through the Eurobond and domestic bond markets. However, banks are reluctant to raise funds for export credits in their own names in these markets as they use them to fund their own capital needs. They would be in danger of diluting their credit ratings and end up having to pay more for their funds, even if backed by an ECGD guarantee.

But under consideration is a scheme whereby someone else could raise funds in the bond market — either the exporter or the buyer. With an ECGD guarantee they would get better terms in the bond market but even so this would only work for "good" names such as multinationals or where the buyer is a "rich" country.

One problem to be overcome is that at present ECGD extends its guarantee only to banks but if the funds were raised on the bond markets the guarantee would have to be extended to the investor. A further limitation is that this form of fund raising could only be done in currencies other than sterling since the Government, on monetary policy grounds, would not allow sterling funds to be raised or guaranteed by individual Government departments such as ECGD.

Funding of exports through the bond market would only be practicable where the cost of raising funds this way is cheaper than using Consensus rates and so would only be suitable for exports to "relatively rich" countries which are liable for the higher Consensus rates and in those currencies where the market rates are well below the Consensus rate. Another limiting factor is that the average export contract is too small to be financed by a bond issue. Investors often shy away from issues too small to provide a secondary market.

## Contracts

But despite these limitations export credits funded through the bond market are being negotiated for some contracts in the pipeline.

Other alternatives which are being considered are a mixed currency option and a floating rate facility with an option to fix. Under the former the borrower would have the option of switching currencies at each roll-over date. With the second, the lending bank would provide the overseas borrower with market rate finance at a floating rate. But if the rate were to go above the Consensus rate in that currency the borrower would have the option to switch to the fixed Consensus rate during the lifetime of the loan, but would not then be able to switch back to market rates. Both these alternatives have been proposed by banks to ECGD but have so far met with a lukewarm response.

As an interim measure—until the banks and ECGD can agree on the means of alternative funding which does not require interest rate support—ECGD, along with other export credit agencies, agreed last month on a LIRCs scheme (Low Interest Rate Currencies). This sets rates at which export credits can be financed in those currencies where the market rates are below the Consensus rate for exports to "relatively rich" countries—and still be eligible for the full benefit of export credit agency support. This will be done on a case-by-case basis and at present there is some confusion among exporters and bankers as to exactly how it will operate.

These rates, which are adjusted monthly, are artificially constructed rates based on five-year government bond rates plus a margin to achieve a rate at which banks could realistically raise funds in the market, if such a market existed. These rates are below Consensus rates but above market rates. The only currency where the rate does not have to be constructed in this way is the Japanese yen, in which there is a long-term prime rate.

British companies have for the past year been permitted to offer fixed-rate export financing in yen with ECGD support, but this has so far not proved an attractive proposition in practice. It remains to be seen whether financing in the other LIRC's appeals to exporters and their buyers.

The reason for offering this facility is an attempt to make British exports more competitive. With the failure of the OECD countries to reach agreement on lowering the Consensus rates, British companies are complaining that their exports are uncompetitive because sterling consensus rates are too high in relation to market rates.

# A lifeline for troubled clients

**Intensive care units**
DAVID DODWELL

THE SENIOR clearing banker leant forward confidentially: "Once people discover that a company is in intensive care there always seems to be someone who wants to shut off the oxygen supply," he explained.

The comment was his way of explaining why a veil of secrecy still hangs around the "intensive care units" which have been a lifeline for an increasing number of UK manufacturers creaking under the strain of sustained recession.

Another banker was more blunt: "The less publicity we receive the better. At the end of the day the best industrial rescues are those that no one knows about. Confidence in the company is never eroded."

But over the past five years, as an increasing number of companies have fallen victim to hostile economic circumstances, so intensive care operations among the main clearing banks who are major creditors to industry have been transformed from one-man-and-a-dog outfits to major — and increasingly conspicuous—departments.

## Exposure

No banker will reveal the extent of his bank's exposure to bad debts in ailing industry. But all confess that specialist departments have had to be set up partly because the line management in regional branches no longer had the manpower, the time or the expertise to cope with "problem companies" on the scale they have mushroomed during the present recession.

One banker, franker than most, admitted: "We always have a portfolio of clients who are in trouble. Why else would we have provisions for bad debts? And if you also note that a bank's portfolio is a barometer of the state of 'UK Ltd,' then we have more problems now than we had in the past."

He went on to argue, however, that increasingly adept handling of "intensive care" companies has enabled bad debt provisions to be cut to half what they were in the mid-1970s in real terms.

"The problem is still quantified and controllable," he said.

Only two clearing banks have specifically defined "intensive care units" — Barclays and Midland. Nevertheless, Natwest and Lloyds both have specialised corps of staff working from central headquarters on problem companies.

Each has a distinctive approach and each finds it difficult to define the characteristics of a company in need of intensive care. Certain basic hallmarks are universal, however. The company will be making losses, have cash flow problems and be facing difficulties in repaying debts. High debt levels often coincide with declining sales, overcapacity, rising stock levels and fixed costs that cannot be easily reduced. Sometimes they are single-product companies, sometimes they are the victims of rapid technological change or shifts in international terms of trade.

Alarm bells begin to ring in different places depending on circumstances but once leading creditors see a serious threat to their loans in a company, then intensive care procedures are swiftly taken up.

Meetings between the company and main creditors will normally be followed by appointment of investigating accountants. Their task will be to assess at high speed whether the company is fundamentally sound. Are its products viable, does management still have credibility, can it produce goods at a competitive price, does the company have the resources it needs to continue production?

At this stage, and often most controversially, an interim loan package will be needed to buy the time needed to allow auditors to complete investigations.

If the auditors conclude that problems are essentially temporary, the company and creditors will then set out to formulate a survival package—and there is a growing conviction that quick draconian remedies normally do more long-term good than cosmetic change.

"The hard lesson learned is that quick, positive steps to achieve more drastic rationalisation measures in the early stages have returned businesses to health more quickly, and with longer term employment benefits," one prominent banker wrote recently.

The greatest problems in agreeing on interim support normally arise where a company has a large number of bank creditors. Nowadays, early agreement on a lead bank to orchestrate diverse interests has tended to reduce the conflicts that emerge among creditors.

But during the late 1970s—and still today though to a lesser extent—the Bank of England played a discreet but important part in dissuading banks from overhasty action.

"The Bank of England's role is to ensure that a company does not fail because of the failure of financial institutions to reach agreement over solving its problems," one banker familiar with intensive care operations noted. "The Bank never urges a particular view on creditors—it just urges them to reach a particular view."

Severest problems arise when banks remain unaware of—or unable to act on—crises until a late stage. Here, company executives have often been their own worst enemies.

"Directors are often the last people to accept there is a problem," one banker complained. "Pride can stop them from admitting that anything is wrong. They will fight hard to keep creditors apart and play one off against another."

## Creditors

But as intensive care operations have become better established and continuing recession has increased companies' dependence on creditors, so the obstacles to early detection of a company in difficulties—and to early action — have been reduced.

For the clearing banks, direct involvement in crisis-ridden industry has taken them into uncharted territory where new conflicts of interest are emerging.

In many cases banks' efforts to maintain an arms-length relationship with clients as a rescue is being formulated have been hard to sustain.

Banks have traditionally been "risk assessors" rather than "risk takers," he said. "But nowadays we are underwriting the risk taker—and perhaps because of this we ought to be seeking the rewards that go to the risk taker."

The paradox is increasingly plain. "We must preserve the sanctity of the arms length relationship with clients," one banker insisted. "But there are times when it is impossible to preserve that sanctity.'

He was convinced that increasing involvement in company rescues was forcing bankers to break new ground: "Only in five years will we know whether we are right to be taking this course," he concluded.



# A growing range of specialised services

**Small business**
TIM DICKSON

THE SUPPORT they provide for local enterprise agencies, their now enthusiastic participation in the Government's Loan Guarantee Scheme and their sponsorship of events ranging from Enterprise Awards to academic research conferences are all marks of the clearing banks' determination to win favour with the small business community and their advisors. While political pressure helped foster their renewed interest in the sector in the middle to late 1970, the major clearers have nevertheless developed a sufficiently wide range of new lending schemes and new services to suggest that their commitment is genuine. Many observers still argue, though, that there is a long way to go before the majority of bank managers fully understand the small firm proprietor and his needs.

Just as small firms—defined by the Bolton Report as those in manufacturing with less than 200 employees — account for 90-95 per cent of all business enterprises, so they have always accounted for 90-95 per cent of all applications for bank finance. Only in the last four to five years, however, has there been a clear perception that much of the future growth in the economy is likely to take place inside small firms, particularly inside those involved in the development and application of new technologies. Hitherto, as long as big companies were growing and expanding—either by acquisition or expansion—there was little need to look beyond them for new custom.

The challenges of the last few years for the High Street banks have been to introduce services more relevant to small firms' requirements and to develop more imaginative financing techniques for supporting new businesses, particularly those with a "high tech" flavour. The Loan Guarantee Scheme has been intended as a spur to both.

Introduced in June 1981, the scheme was designed to increase the flow of money to the small business sector by providing a Government guarantee for 80 per cent of approved bank loans—in return for a 3 per cent premium paid by the borrower on the guaranteed portion. The major clearers originally opposed this initiative on the grounds that it was unnecessary and that their branch managers were perfectly good arbiters of what was and what was not a viable proposition.

Since reluctantly agreeing a three-year "pilot" scheme the 30 or so participating banks have put out more than £400m backed by Government guarantees to about 12,000 customers. About half has gone to new businesses, half to established firms. The scheme has filled an important gap by financing more projects where the individual or individuals involved have no track record to speak of or are unable to for some reason unwilling to provide adequate security for a loan.

## Successes

Only time will tell if the failure rate—potentially as high as one in five, according to Government-sponsored consultants—will be more than offset by the evident success stories emerging as a result of the scheme. In purely financial terms, latest figures showed that claims by lenders to the Department of Trade and Industry exceeded premium income from borrowers by around £17m.

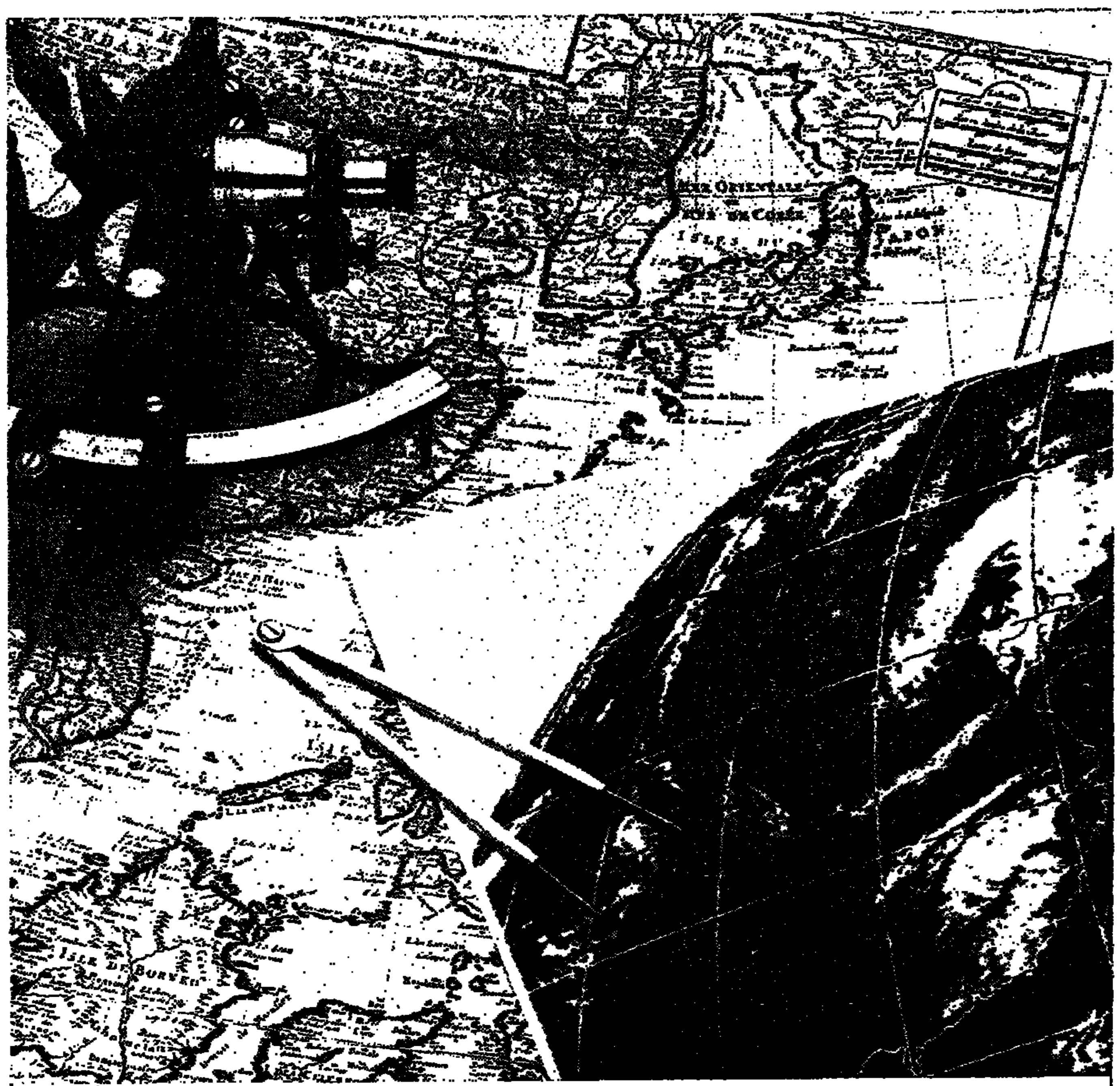
The clearing banks meanwhile have been developing their own schemes. Term lending, for example, has grown rapidly over the last few years, with conditions better tailored to the circumstances of customers, including the choice of fixed or floating rates, capital repayment holdings and other flexible repayment schedules. About half the banks' lending now takes the form of term lending over periods of between one and 20 years.

The banks have also taken steps to improve their lending appraisal of high technology businesses. Barclays, for example, established a High Technology Unit in 1982 to help branch managers assess high technology firms. Lloyds, also in 1982, launched a New Technology Appraisal Scheme whereby customers' projects can be referred free to the Cranfield Institute of Technology for commercial assessment. Midlands has had an electronics advisor since 1979 and set up an Electronics Industry Section in 1982. National Westminster's Technical Advisory Scheme was established early this year to provide expert technical appraisals through a number of research and academic institutions.

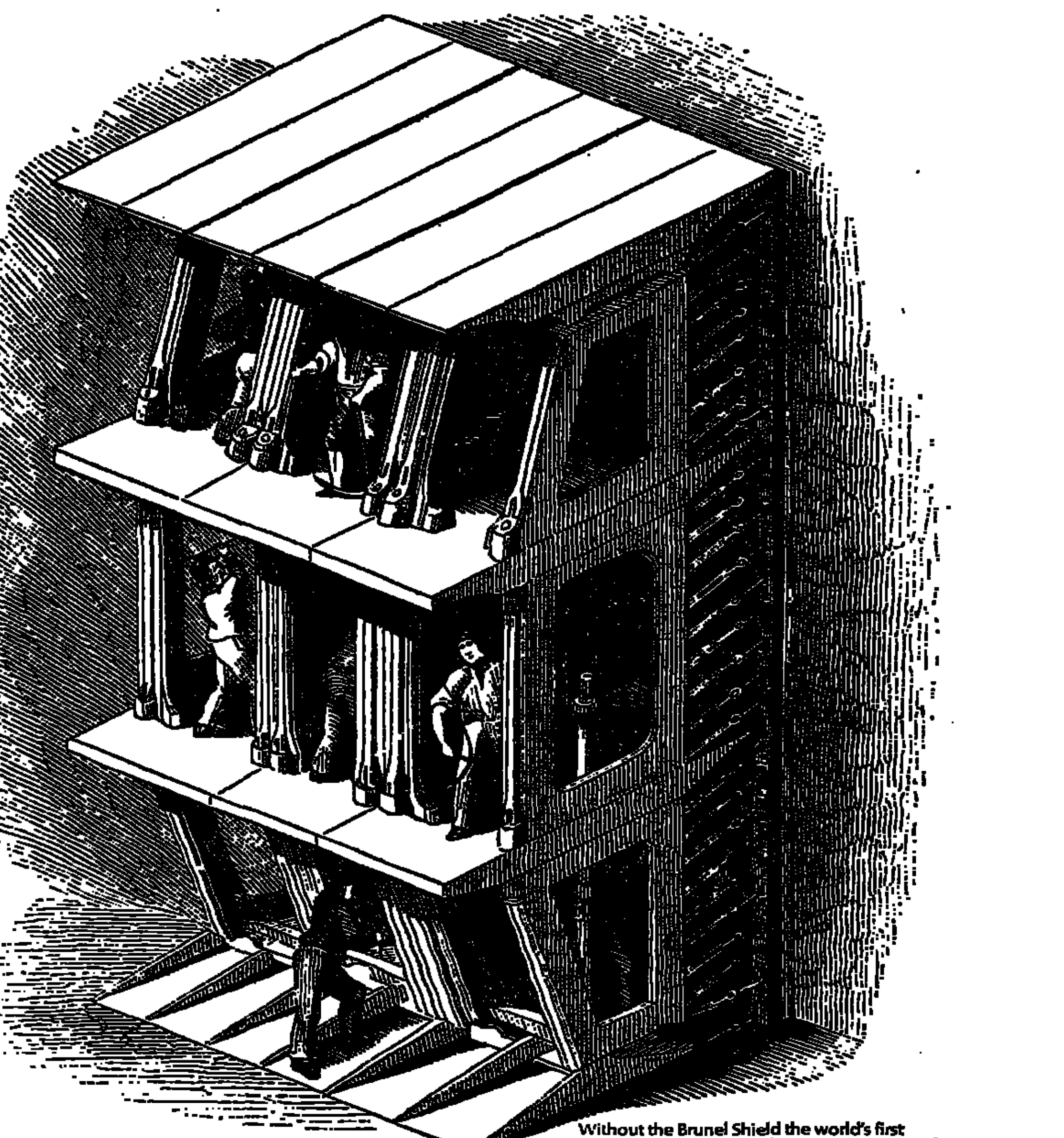
The last few years have also witnessed the growth of bank-owned equity financing arms, which have found a ready market in small UK firms short of retained profits and increasingly starved of private sources of capital. In common with the major institutionally backed venture capital funds, however, banks have not been able to satisfy the need for relatively small chunks of equity at the very small end of the market. The Business Expansion Scheme was designed to plug this particular hole.

All these initiatives are, of course, inspired by the brighter and more ambitious staff who tend to dominate the banks' head offices. The clearers are well aware that without a responsive and imaginative branch network the best ideas are useless and efforts at reorganisation have been taking place. The most radical—and most controversial—is the Midlands decision in certain areas to establish area offices which handle the business customers of a number of satellite branches. All banks, though, to a greater or lesser extent have to cope with a generation of managers in their fifties who are understandably slow to respond to the new methods.

Perhaps the major "small business" challengers facing bank managers is to develop better systems for monitoring customers. Says Mr Noel Dearing, manager of National Westminster's Small Business Section, "I honestly think that there is now plenty of money available for small firms. The problem is to ensure that as many as possible survive and to do that we have got to hold their hands."







Without the Brunel Shield the world's first underwater tunnel could not have been attempted. The shield, used for tunnelling beneath the Thames at Rotherhythe in 1841, was the brainchild of the father of Isambard Kingdom. The other essential ingredient for this technological breakthrough was private capital.



# NO ROOM FOR THE COMPLACENT

MERCHANT BANKING in London is undergoing a period of serious change. Gone are the days when the blue-blooded gentlemen of clubby merchant banks could sit back in fine-panelled suites and wait for the telephone to ring. No longer can any corporate finance director afford to rely on his bank's traditional company clients to ring up and say: "We'd like to raise £100m through a rights issue. Can you handle it, please?"

Merchant banks are becoming increasingly competitive, even to the point of poaching clients from other banks. The arrival of aggressive U.S. investment banks such as Morgan Guaranty has made every British merchant banker's life more challenging — and this may not be a bad thing.

The club of elite merchant banks belonging to the accepting houses committee is no longer as important a grouping as it used to be. Brash American investment bankers and energetic clearing bank subsidiaries such as NatWest's County Bank and Barclays Merchant Bank are making the going a bit tougher for the traditionalists.

Some members of the accepting house committee are moving off in new directions, as is the case with Samuel Montagu, now owned jointly by Midland Bank and the giant Aetna Life of the U.S. Other club members such as Hambros Bank are finding that a name alone may not be enough to ensure commercial success and profitability.

Some merchant banks are devoting themselves to carving out specialty niches in the area of Eurobond business or international banking. The age of the complacent generalist as merchant banker is nearly over.

Foreigners are taking over the helms of established merchant banks — Wyn Bischoff of J. Henry Shroder Wagg and Staffan Gadd at Montagu are two examples. Country debt advisory services have proven a boon to leading specialists such as Warburgs and Lazards. The mergers and acquisition business is proving an area of intense competition, with Morgan Grenfell now widely seen as top of the pile.

Morgan Guaranty has set up its own takeover division with medium-sized Europe-wide business in its sights; the experienced Andreas Prindl has been brought back from his secondment at Saudi International Bank to run Morgan Guaranty's new mergers business.

The fast-moving reform of the Stock Exchange will create new opportunities for some banks. Shroders has hired a senior partner from Cazenoves to have a look at the possibilities of future Stock Exchange involvement.

If the idea of dual capacity — combining broking and jobbing functions — comes to fruition, the prospect of merchant banks buying into stockbroking firms will become real.

There used to be a time when merchant banks needed only to hire the best and the brightest from Oxbridge. There used to be a time when "being fast on your feet" helped one to stay alive. Being quick-witted is still a prerequisite for merchant banking but an international outlook and a direct supply of capital are two additional requirements these days.

For a number of merchant banks survival and prosperity in this decade and the next will mean linking up with new institutions at home and abroad. Prosperity will also depend increasingly on carving out specialty niches and realising that one bank cannot top the league tables in every single area.

Below are profiles of merchant banks involved in the London market and overseas activities. The differing paths of these institutions illustrate the change which many merchant banks are now embarking upon. The area of greatest consensus among the directors of most merchant banks is on the need to innovate, to branch out, to move forward with deliberate strategies rather than complacent expectations.

PETER MONTAGNON

## The take-over defence kings

### S. G. Warburg

BARRY RILEY

S. G. WARBURG is one of London's very top merchant banks. In the corporate finance field is is currently the leading exponent of defensive strategies in takeover bids—recently manning the barricades for the likes of House of Fraser, Thomas Tilling, Sotheby's, and Steetley—while its investment management and advisory activities supervise more than £6bn of clients' funds.

Other London-based operations are also highly successful, notably in the Euromarkets, and Warburg has a special reputation in the field of advisory services to governments and central banks.

Outside London, however, Warburg is less securely placed. Its strategy of co-operating closely with two financially linked associates, the French Paribas and the American A. G. Becker, has largely broken down with the nationalisation of Paribas and that group's recent absorption of the troubled Becker.

Discussing the international operations, Mr David Scholey, Warburg's joint chairman, says there is "a process of repositioning going on." The business relationship with Paribas remains close but in New York the bank has started up again on its own.

Elsewhere, Warburg's eyes are on Japan, where Mr Scholey suggests that the present very small representation will be expanded within the next three to five years, while in Switzerland the existing stakes in an issuing house and an investment management bank are "successful and interesting bases to build on."

One reason why it is desirable to have bases in major centres is so that talented and ambitious executives in Warburg can move around the world and still stay within the group.

David Scholey sees the present time as being an absolutely fascinating period for merchant banking. Major strategic choices are being faced. The big London merchant banks "could become quite disparate over the next five years."

Competition is very much on a worldwide basis, including not only the big U.S. investment banks—which are building up their London operations—but also, in some respects, the likes of Barclays, Deutsche Bank and the big Swiss banks.

"There is not only competition for the business," Mr Scholey points out, "but also for the people."

A major challenge is whether Warburg should seek to get bigger. There are increasing temptations to do so, notably in connection with the likely opening up of the London Stock Exchange. The bank will have to consider when the opportunities arise whether to extend its distribution and dealing business, largely confined to the Euromarkets at present, into the UK Government securities and equity markets.

At the same time, there is concern that increasing size might make internal communications within the bank less effective.

"I don't believe that we have to get bigger just for the sake of size," says Mr Scholey. "I think it is essential for a merchant bank to concentrate on the areas of business that can really add value for the client. I don't believe that we have to do everything."

Next year Warburg plans to move into new premises in King William Street, though these are not expected to mark any departure from its tradition of frugality and lowness of profile. It must be the only commercial concern to print its name on the inside, rather than the outside, of the cover of its book-matches.

## A London success story

**HILL SAMUEL is one of the success stories of the London banking community. After a turbulent period during the 1970s, it has emerged in the last three years as tightly managed, internationally diversified and profitable.**

**Much of the credit for Hill Samuel's emergence from the trouble-ridden 1970s must be assigned to Mr Christopher Castleman, who took over as chief executive in 1980, at the age of 39. Mr Castleman cut his teeth turning round the group's Australian and South African businesses and arrived in London three years ago to take charge of a bank which had been buffeted by embarrassing aborted takeover deals (at one point Merrill Lynch was on the verge of taking the group over), Herstatt-related losses and a variety of management upheavals.**

**Hill Samuel in the first year of Mr Castleman's tenure was still suffering on the insurance broking side, which in both 1980 and 1981 lost £3m a year. Sir Robert Clark, chairman of the group, has referred to the broking problems as "a straight management deficiency." That was resolved and the broking side is now in the black.**

### Hill Samuel

ALAN FRIEDMAN

**Mr Castleman looked at the group—consisting of merchant banking, life and investment management, employee benefit services, broking, shipping and underwriting agencies—and embarked on a programme of divisional autonomy and executive profit-sharing schemes. He slashed the size of the insurance broking staff, made a few key acquisitions and has worked closely with Mr Richard Lloyd, the chief executive of the merchant bank.**

**The merchant banking business, which includes Australia, South Africa, Treasury functions, commercial banking, corporate finance and Eurobond activities, has seen its profitability (after-tax disclosed income) more than double in the past three years. Some 25 per cent of banking profits come from South Africa and Australia and the latter operation includes a highly successful Australian-dollar money market fund.**

**The group's merchant banking business supplied 80 per cent of Hill Samuel's after-tax profits in the financial year which ended March 31. This amounted to £16.1m of the £20.1m total after-tax profit, which was itself up from £15.99m in the 1982 financial year. Hill Samuel's overall profitability has risen considerably since Mr Castleman took over in 1980, moving from £7.68m in the year to March 1980 to £11.3m a year and then onward to the present level.**

**Mr Castleman acknowledged recently that it would be difficult to sustain this kind of annual profits growth, but a profits plateau of the late 1970s.**

**The main challenge for Mr Castleman and his crew at Hill Samuel now is to sustain level of profitability throughout the group, to ensure that the group's success story of recent years is proven to be part of a long-term trend. As one colleague remarked, while referring to Mr Castleman's ability to roll up his sleeves and work in various parts of the group: "He was good in the engine room of Hill Samuel, but we have yet to see whether he is as good with his eyes on the horizon."**

## A new force in Eurobonds

### Samuel Montagu

ALAN FRIEDMAN

**MERCHANT BANK Samuel Montagu has come a long way in the past two years but still has a fair way to go. The bank is a member of the accepting house club but is now 40 per cent owned by the giant Aetna Life of the U.S. and 60 per cent by Midland Bank. In a deal which surprised many City observers last year, Aetna paid £66m to buy into Montagu and promised to provide, in conjunction with Midland, some £40m of capital over the next few years.**

**Two years ago Montagu began a period of radical change under the stewardship of Mr Staffan Gadd, the Swedish chairman, and his key aide-de-camp, Mr David Potter, managing director in charge of international capital markets.**

**Until Messrs Gadd, Potter and others arrived two years ago, the bank was seen as a first-rate dealer in bullion and other markets but rather sleepy in other areas. Now it is emerging as competent in the Eurobond new issues business (it has always been well known on the secondary market side) and fast-moving internationally.**

**Like County Bank, Montagu has realised that if it is to make any progress at home it will have to establish its credentials on the international scene. Last year it was involved in around 65 deals, mostly as an underwriter; this compares with County's 91 deals last year. The difference is that County's Eurobond business was started in 1978 while Montagu was hardly a participant until the Credit Suisse First Boston-trained David Potter got underway two years ago.**

**Montagu has put on 125 staff in the last two years and now has 756 employees in the UK and more than 300 abroad. It is not particularly distinguished when it comes to UK corporate finance—which is not to say the bank has not been involved in various interesting deals. It is just not the first merchant bank company directors think of when they reach for the telephone.**

**Montagu's fund management business has around £3.5bn under investment, including funds channelled through the bank's Swiss subsidiary—Guyerzeller Zurmont Bank. In the acceptance credit market Montagu has around £300m of credits outstanding, double the size of County Bank's acceptance total.**

**Staffan Gadd clearly wishes to move Montagu up through the various league tables which fascinate merchant bankers and he wishes to do it quickly. He has given himself five years to measure his own success by elevating Montagu to the level of an S. G. Warburg or Kleinwort Benson. That leaves three years to go.**

## The opposite of sleepy

### County Bank

ALAN FRIEDMAN

MR CHARLES VILLIERS, the man who moves up from deputy to chief executive of County Bank next January, hates to describe his bank as "aggressive." Although the National Westminster Bank merchant banking subsidiary has travelled an amazing distance in the past few years, Mr Villiers prefers to downplay the raw energy and ambition of County Bank.

"We have got an open-minded and determined approach. We are the opposite of whatever sleepy is," he remarks. And indeed this is true: County Bank has moved from being an obscure and minor player in the world of London merchant banking to its current position as a successful middle-level operation.

The bank was started in 1969 with only 30 people and a tiny business in term lending, the money market and corporate finance.

When Mr Villiers joined from ICFC in 1972, the bank was virtually irrelevant. Now it is increasingly highly regarded for international business, fund management and its nurturing of unlisted companies.

While the bank clearly tries to "get as much as we can out of NatWest" it has managed to build its own record. Last year it was involved in co-managing 91 Eurobond deals, underwriting around $700m worth of paper. It claims to be the second ranking U-owned house in the volume of Eurobond issues managed, just behind S. G. Warburg.

Its international division, started by Mr Villiers in 1978 and now employing 80 of its 450 employees, has brought increased business in other areas of the bank, ranging from corporate advice to fund management.

County's Bank's fund management business has been regarded sceptically by City analysts because of the leg-up it received from NatWest—the parent bank has given County its £1.3bn pension run to manage. But as of this month County has a total of more than £4bn of funds to manage, so the NatWest portion can no longer be regarded as vital.

One-third of the bank's income is in currencies other than sterling and this stems from Eurobonds, overseas fees and fund management.

At home, County has been behind success stories such as Harris Queensway, the home furnishings group, and Saatchi and Saatchi, the Conservative Party's favourite advertising agency. The bank helped to organise 20 management buy-outs last year and has been making a name for itself in this area. It is doing the same in the fast-growing Unlisted Securities Market (USM).

According to the Crawfords Directory of City listings, County now ranks third for the number of companies which list County as their merchant bank adviser—this represents more than 100 companies. The NatWest parentage helps here of course, but more than a third of the clients were not previously connected to NatWest.

Mr Villiers will never criticise the elite accepting house merchant banking community — to which County Bank is an outsider—but he does point out that in just a few years County has built up to £150m of acceptance credits.

"We have been able to move into a gap left by the accepting houses. They have not been quite so fast at anticipating business. Their attitude is 'Give us a problem and we'll solve it.' They have been playing at the mystique of the City," he says.

# More and cheaper services in battle for deposits

## High Street Competition

ALAN FRIEDMAN

"PEOPLE STILL don't receive a return on their working balance. I don't know how long that can go on."

Who uttered these words? A harsh critic of Britain's clearing banks? An irate customer wanting to earn some interest on her current account? A competitive building society executive firing a salvo at the big banks?

The answer is none of the above. The man who made this remark, implying that it is now only a matter of time before the banks finally offer customers a real return on their current accounts, is Mr John Quinton, the Barclays Bank senior general manager who runs the bank's UK retail network.

There is nothing very radical about Mr Quinton's comment, except that it comes from one of the clearing bankers who have in the past scolded those critics who say the banks must pay interest on current accounts. At Barclays Bank at least, there is the growing recognition that Britain is undergoing a revolution in financial services, a revolution which could end with some messy consequences for the banks and the building societies.

A major battle is underway for customer deposits in Britain. High Street competition has never been hotter and it looks set to increase still further. With serious competition from the building societies, the banks have seen a steady erosion of the proportion of non-interest bearing deposits they attract. A decade ago these provided 50 per cent of sterling deposits; today the corresponding proportion is more like 30 per cent. In the case of Barclays, cheque accounts provide only 27 per cent of the bank's funding mix, while the bank must resort to the expensive wholesale money market for 45 per cent of its funds.

Two years ago the major clearers stepped up their involvement in the mortgage market. But last spring when they indicated they were pulling back from mortgages, the banks had not succeeded in capturing anything like the societies' corresponding part of deposits. Banks today have around 37 per cent of UK personal deposits, while societies have a 48 per cent share and National Savings about 15 per cent. The societies have simply been much more successful than the banks at attracting deposits, through longer opening hours, better rates of interest and more variety when it comes to share accounts.

The banks did not like it when Abbey National Building Society, Britain's second largest with more than £12bn of assets, teamed up with the Co-operative Bank to offer a cheque and save account. But a number of customers appear to like it.

The Abbey National, under the leadership of Clive Thornton, its colourful chief general manager, doesn't mind making a few enemies of its competitors if it will win more customers. But Abbey's biggest bombshell, its notice of withdrawal from the societies' interest rate fixing cartel, hit the societies and not the banks. It could spell the end of the cartel, leaving the door open to unprecedented competition among societies in terms of both investment accounts and mortgages.

What then are the policies of the banks and societies as they attempt to win more deposits? They vary from bank to bank, but appear to be aimed at providing more customer services as cheaply as possible. Barclays re-opened some 430 branches on Saturday mornings last year, having closed them in 1969. Are the Saturday openings bringing in the deposits? Mr Quinton hates to be specific about the programme; he will say only that it is "successful" and that he reckons the bank is recouping its annual Saturday opening costs of £6.5m. Not a single other bank has followed Barclays with a Saturday scheme.

### Programmed

The other banks think they can serve customers better by installing a greater number of through-the-wall automated teller machines (ATMs). These cash dispensers could be programmed to accept deposits as well as to provide cash, but the banks reckon that few customers would actually deposit money at an ATM.

Last year Midland Bank and National Westminster Bank announced a plan to link their ATM networks and a few months ago the two banks went live with the link. Now customers with a NatWest card can draw funds from a Midland machine.

Barclays and Lloyds Bank, together with the Royal Bank of Scotland group, followed suit and are still working on plans which will eventually bring 2,500 machines together (including the Bank of Scotland).

The building societies are also moving ahead with plans for a nationwide network of linked cash dispensers. Their programme will take longer to implement however, and there are fewer ATMs installed at societies.

Another attempt at satisfying customers in the UK has been the launch of hybrid current accounts, the so-called interest-bearing current accounts such as National Westminster's Cash-Wise. Unlike the other accounts (such as Barclays' Cashplan and Lloyds' Cashflow), the NatWest account is aimed specifically at the unbanked market. But in each of these cases the interest paid on credit balances is well vanquished by hefty cheque and service fees.

Mr Quinton of Barclays said this about the Cashplan account: "We were the last ones to do it. We only did it as a defensive measure."

He described the hybrid accounts as "not terribly important in the scheme of things." He said the accounts had not made a great impact, although Cashplan was a "modest success."

"We've pushed them all as interest-bearing current accounts, but they're almost all used for borrowing," he added. This is because the accounts offer customers a budget-borrow system where they deposit a certain amount each month and can borrow up to 30 times the amount.

As for the real thing — real current acounts which pay interest — Mr Quinton says it will occur step by step. "Ultimately it will happen. But I think that's into the 21st century."

Meanwhile, here in the 20th century, the new era of intensified competition, spurred by mavericks like Abbey National, should mean better services for customers. The old clearing bank oligopoly is not about to break up, but it is by no means as solid as it used to be.

# Nationwide systems for cashless shopping

## Automation

ALAN CANE

THE TIME for experiments is over. No serious doubts remain that "cashless shopping" is both economically viable—and inevitable. That is the view of the banks, the retailers and the banking technology experts.

Professor Jack Revell of the Institute of European Finance at the University College of North Wales predicted earlier this year that by the 1990s most of the developed countries would have a complete electronic funds transfer network.

His conclusions, quoted in Retail Banker International and drawn from a study of the implication for banking in electronic funds transfer, are supported by evidence that many countries, the UK among them, are now taking the first steps in installing nationwide cashless shopping systems.

The 11 UK clearing banks and the Bank of England have already made known their agreement to press ahead with a pilot scheme, expected to be operating by 1986. In the next few months the Committee of London Clearing Banks (CLCB) is expected to announce the first of its decisions on the way electronic funds transfer at the point-of-sale (EFT/POS, the accepted acronym for cashless shopping) should be implemented in the U.K.

It will be responding to a report submitted earlier this year which urged it to give early approval to the installation of a cashless shopping system. The report foresaw improved profits for the banks through reduced cash handling and cheque truncation ("better than sliced bread" as one senior banker put it) and protection against the encroachment of the non-banks, and new defences against card fraud.

Technically EFT/POS has been possible for a very long time. Indeed the earliest EFT/POS system in the UK, possibly in the world, was based on technology from the computer and financial systems company NCR and installed at Browns of Chester in 1974.

It was comparatively primitive. The customer presented a conventional plastic bank card; the cashier tapped the customer's number and details of the transaction into a point of sale terminal which recorded the details and a cassette containing the information was transferred manually to the bank at the end of the day.

The system likely to be installed in the UK will be significantly in advance of the Browns trial. The best information suggests that it will be operated by a magnetically impressed plastic card exactly similar to the card used in banking autotellers today.

On such cards there are three magnetic tracks but only track two, which cannot be written on magnetically, after manufacture, will be used.

Customers will bring their purchases to the sales point where, for the first few years at least, there are likely to be two distinct pieces of machinery: a conventional electronic (or other) cash register and a new machine, the electronic point-of-sale terminal.

This will come in two parts; a card reader which can decode the information on track two of the EFT/POS card and a customer key pad which is used to enter the customer's personal identification number (PIN).

The customer will hand the card to the cashier who will "swipe" it through a slot in the terminal; the customer keys in the PIN. The information is then sent over the telephone line to the main computers of the card-issuer. This could be a bank or a card company such as Visa or American Express.

The computer will be responsible for agreeing that the card matches with the PIN and that it is neither on the lost nor stolen list, out of date or that the transaction is over the permitted expenditure limit. It then sends a signal to the point-of-sale terminal for the transaction to proceed.

### Agreed time

Reconciliation between the store account and the customer's account takes place electronically either instantaneously or—more likely—at an agreed time after the transaction has taken place.

It must be emphasised that virtually all the important decisions still have to be taken before work on the pilot system starts but it would be very surprising indeed if the eventual system did not closely match this model.

All the various elements have been tried out in one EFT/POS experiment or another—and indeed there is now a substantial list of successful trials world-wide. In the UK, for example, Barclays Bank carried out an experiment called "Counterspeed" in Norwich, linking magnetic cards to the sale of petrol.

Terminals able to accept Barclays and other Visa cards and the bank's own cards were installed at six petrol filling stations in the Norwich area. The system was reckoned to be as fast as paying by cash, the whole transaction taking less than half a minute.

Some idea of the speed with which verification can be accomplished using electronic techniques can be gained from an installation at the Army and Navy Stores, part of the House of Fraser group.

This runs on NCR equipment and involves the verification of American Express cards. Data fed into the point of sale terminal is consolidated and concentrated, transmitted to the Army and Navy's Chiswick computer centre and from there to the American Express centre in Phoenix, Arizona, via its centre in Brighton, England.

Once the card has been verified the information travels in reverse along the same route to the point-of-sale terminal. On a good day, as one observer notes, the transaction can be validated in five seconds; on a bad day in six.

The UK system will steer clear of off-line processing of the kind tried in a trial in Limoges and the Clermont-Ferrand area of France. The French bank Credit Agricole installed the system in which transaction details are stored in the point-of-sale terminal and transmitted to the bank's data processing system over telephone lines at the end of the day or by manual transfer.

The UK system is also avoiding very high technology approaches such as the French memory card where a tiny computer buried deep inside a conventional plastic card functions as an electronic cheque book recording transactions and financial balances.

The key decisions on the UK system—who will supply the components of the system, the terminals, networking hardware and software and front-end processing computers—remain to be taken. All the major electronics companies with a major interest in finance—IBM, NCR, Burroughs, Olivetti and Philips—are talking continually to the banks and to British Telecom whose packet-switched service will form the physical basis of the EFT/POS network.

It is known, however, that British Telecom and IBM are making a joint proposal for the networking part of the system—the packet-switched network and the hardware to handle the transmission of funds messages around it—and for the security of the system. This means the encryption techniques and other methods of denying outsiders access to the information—much of it highly confidential—which will be flowing around the system.

The report to the CLCB on EFT/POS said that if implemented in the first quarter of 1986 the capital investment involved would be paid back by the end of 1988.

It said the cost of "cashing a cheque" would be reduced from 29.5p at present to 17p by 1980 and 14.8p by 1992.

In a list of 30 recommendations the report notes on competition: "If rival institutions are to behave like banks, then it is recommended that in the absence of action being taken elsewhere, the banks bring pressure on the authorities to have those institutions regulated like banks and that any privileges or exemptions such as composite tax rate arrangements which give them a competitive advantage over the banks should be removed.

"Banks themselves, rather than the credit card companies, should develop EFT/POS. It is, however, recommended that flexibility be incorporated into the proposed system to allow authorisation telephones to be used in conjunction with the network for credit card purposes, provided this does not prove unjustifiably expensive."

Transaction telephones? Low-cost devices offered to retailers as a cheap and effective way of verifying credit cards—BT Silver is British Telecom's transaction telephone service.

But who will pay? "While ownership of terminals and data transmission functions will fall into the hands of third parties, security should remain under the control of the banks," the report advised. The shopping universe awaits the banks' response with the greatest interest.

# 'Catch 'em young' maxim in business drive

## The 'Unbanked'

MARGARET HUGHES

MUCH IS made of Britain's "great unbanked," but they are something of a myth, for in fact as much as 85 per cent of the adult population in Britain has a bank account of one kind or another. This means that only 15 per cent of adults are actually "unbanked" which is less than in the U.S., for instance, where some 20 per cent of the adult population are "unbanked."

Not all of those in Britain who have a bank account are current account holders—over 61 per cent of the adult population, compared with only 45 per cent some six years ago. Not all of these are with the main clearing banks. The building societies have almost as many current account holders as do the clearers, each claiming about half the adult market.

Over the past six years there has been a 40 per cent increase in the number of adults with a bank account, with the greatest growth among the lower socio-economic groups. The 16m or so adults who still do not have a bank account are either unskilled workers, the non-working, women, the elderly and the young.

The main challenge for the clearers is thus not so much one of spreading the banking habit as of ensuring that those who do have a bank account, open them with the clearing banks, as opposed to the building societies or any other competitors. Given that only some 3 per cent a year switch banks and the proportion who have ever done so is only 20 per cent—even in an environment where customers are becoming increasingly cost-conscious—the need to reach the potential bank customer before he makes that almost once-in-a-lifetime decision is clearly crucial.

Ringing the changes, the clearing banks from time to time launch marketing campaigns to reach the still predominantly unbanked groups—in particular to encourage them to open chequing accounts. But consistently the two main target groups are manual workers and the young, whether school leavers, students or still at school.

As far as manual workers are concerned the main thrust is to persuade them to be paid monthly through the banking system, rather than weekly and in cash. There is less need to encourage them to open bank accounts since 75 per cent of manual workers now have a bank account, compared with only 51 per cent six years ago.

Some 70 per cent of skilled workers have a bank account and 50 per cent of unskilled, against 40 per cent and 22 per cent respectively in 1976. About half those workers still paid in cash have a bank account.

It is a campaign which the banks have conducted largely indirectly — through employers and the trade unions, with the support of the TUC, CBI and more than 70 trade associations and professional bodies — with some success. It is estimated that each year some 400,000 employees switch from cash to payment either by cheque or by direct debit. Some 50 per cent of workers are now paid monthly against as little as 33 per cent in 1976; only 40 per cent are now paid in cash compared with as many as 75 per cent six years ago.

But despite the relative success of the current campaign there is still a long way to go, given that in Canada and West Germany, for instance only 5 per cent of workers are paid in cash and in the U.S. as few as 1 per cent. Even in Sweden and Holland it is only 20 per cent and in France now 10 per cent.

One of the reasons why such a relatively high percentage of British workers are still paid in cash is the Truck Acts. Dating from the 19th century, they give among other things, manual workers the right to insist on being paid in cash. Mr Norman Tebbit, the Secretary of State for Employment, has announced that he intends to repeal these Acts as part of the new trades union legislation.

But far from welcoming this move, the banks are apprehensive, for having won the co-operation of the trade unions in their efforts to persuade more workers to be paid through the banking system they feel the repeal of the Acts will be counterproductive by imposing change and by being part of the overall legislation.

In the banks' view the main constraints have more to do with entrenched habits—the difficulties of switching from weekly cash-based household budgeting to monthly household accounting, unfamiliarity with banks and their services and the inability to get to banks during opening hours (which banks hope to overcome through ATMs, including some at work sites).

When it comes to direct marketing campaigns there are none so wooed as the young. Each year as the new academic term approaches the clearers fall all over each other to persuade school leavers and students, in particular, to open bank accounts and, they hope, become a customer for life.

They offer free banking for varying periods and, once the grants roll in to the newly opened accounts, cheque guarantee cards and cash dispenser cards. Depending on the bank other goodies used to lure the new academic include discounts on copies of the Economist, on travel cards, on Eurocheque cards, personal insurance or book tokens and, in the case of the Trustee Savings Bank, discount vouchers worth £125 for a range of goods such as stereo systems. Similar but somewhat less generous schemes are aimed at those school leavers not entering university or college.

An increasing number of students are getting into financial difficulties. In part this is because they are starting off financially stretched. In a period of recession holiday jobs are less easy to come by and parents have less to give their offspring. Grants have also fallen behind the cost of living.

They are thus more likely to abuse the overdraft facilities, of varying generosities, which the banks allow students when opening new bank accounts. Banks admit that an increasing number of students open a bank account then after borrowing up to the hilt move on to another bank once the next term's grant comes in, leaving the previous bank account in default.

Less fraught with such pitfalls are the savings-orientated schemes aimed at school children. Both Midland and Barclays match each pound saved up to a maximum of £5 — in the case of Midland against proof of purchase of Helix school instruments sets and, more incongruously, in Barclays' new campaign Proctor and Gamble soap powders. The most successful to date has been Lloyds money box kits — which have been so enticing that, embarrassingly, Lloyds couldn't keep pace with demand. This account also pays a higher rate of interest — 8 per cent gross against the others' 6 per cent. NatWest is so far not competing in the kids arena.



# Unwelcome burden but likely to stay

## Bank charges

MARGARET HUGHES

A RECENT article in the national Press highlighting a customer's complaint about bank charges produced an overflowing postbag from similarly aggrieved bank customers. The main thrust of the complaints was the seemingly arbitrary way in which these charges are imposed, in many cases the pettiness of the amounts involved and the indiscriminate way in which good and bad customers are treated alike.

Unlike banks in West Germany, for instance, which are required to display their fees and interest charges both inside their branches and in their windows, customers in Britain in general have no idea what they are being charged for or when. It is true that the main clearers now publish leaflets entitled "How you can avoid bank charges" but no attempt is made to ensure that customers get them beyond displaying them on stands in bank lobbies. No such leaflet accompanies the monthly bank statement and no attempt is made on these to point out or explain any charges deducted.

The burden of having to pay bank charges for services which were once free, and higher charges for those that weren't, is compounded by the lack of any clear tariff structure.

It is an irony that the clearing banks should be getting their public relations so wrong at the very time that the appeal of retail funds has increased, and the competition for them intensified—with the banks so far the losers.

In the early 1970s, over half the clearers' sterling deposits were in cheque accounts, traditionally the most stable and least expensive source of bank funds. Now the proportion has fallen to nearer 30 per cent. This has been accompanied by a decline in the banks' main savings vehicle — seven day deposits—to a current level of 34 per cent.

As a result banks are having to rely increasingly on more expensive wholesale money which now accounts for some 40 per cent of sterling deposits. The proven high risks involved in international lending, combined with the rise in domestic corporate failures, has brought home to the banks the advantages of the relatively low risk, low cost retail sector. But despite this increased awareness the banks have so far singularly failed to attract these retail deposits.

On the lending front banks have increased their share to 92 per cent of the consumer loans market—excluding mortgages where they now have a 25 per cent share.

At the same time, they have seen an erosion of their consumer deposits base so that they now have only 37 per cent of the market, having lost their dominant market share to the building societies. Yet, despite this competition from the building societies—which has become far more aggressive since the banks tackled the societies on the mortgage front—and the inroads into their deposits being made by the National Savings movement, the banks seem to have done little so far to reverse the trend. All the evidence points to the fact that they are continuing to lose customers with bank charges a factor influencing this movement.

The clearers require customers to keep at least £100 in their accounts during any one charging period, as does the Trustee Savings Bank. The Scottish banks are more generous, with the Royal Bank of Scotland and Bank of Scotland requiring minimum balances of only £50. To bank at Coutts, however, a customer has to be pretty well heeled, and not be too concerned about idle balances, because it requires an average balance of £1,000 for free banking to be available.

The smaller banks are also found to be more lenient when a customer slips out of credit. If the amounts are fairly trifling they are not charged.

The reverse is true with the Big Four, where it only takes a one-day slip below the minimum balances level, for all transactions for the full charging period—usually a quarter—to be charged. This, it is all too easy to do without being aware, given that it takes banks two to three days to clear any cheque which is to be credited.

Aside from this there are all sorts of charges which most bank customers are unaware of, like the £2 or so it costs for stopping a cheque. Banking services as a whole are the subject of a report which is being undertaken by the National Consumer Council. Commissioned by the Thatcher Government last year it is due to be published in December and it is understood to be critical of the way in which banks charge their customers.

The whole bank charges issue has, in fact, become much more emotive over the past two years. During the last round of increases which took place at the turn of the year banks increased their charges by as much as a third to a half.

The old days when the customer of one bank could walk into another and freely cash a cheque are also over. This practice was encouraged before, as part of the move to extend the banking habit, but Barclays put a stop to it in 1981 by charging other banks' customers 50 pence per cheque. Since then the others have followed suit. More recently Barclays doubled the cost of cashing other banks cheques on a Saturday—when it is the only bank to open—to £1. Similarly the TSB makes the same charge for cashing other banks' cheques during its late night opening.

The days of free banking are all too clearly over—not surprisingly given that banks have become more cost-conscious, with the decline in interest rates and the decline in free balances. These at one time covered the bulk of the costs of running personal accounts.



PROFILE:

W. Trevor Robinson

# Rare bird in City circles

MR W. TREVOR ROBINSON is an unusual character among London's banking community. He is a Briton, with a training and background in UK clearing banking, who has ended up running an important London branch of an American bank.

This makes one significant difference compared with most other U.S. banks in the City. The job of London manager is generally regarded as an important stepping stone on the promotion ladder in U.S. banks and people who occupy that position normally spend only a relatively short time there—two or three years—before returning to a senior post in the U.S. Perhaps the outstanding example is Mr Sam Armacost, now head of Bank of America.

Mr Robinson, however, is a permanent fixture in his position as senior vice-president in charge of Manufacturers Hanover Trust's London branch, giving him perhaps a slightly different perspective on its operations and on the UK banking market.

Like the majority of UK clearing bankers, he started in banking straight from school, joining the then Westminster Bank in 1941 after taking his "A" levels. After training and army service he joined the general manager's staff in 1954, had experience in branch management and ended up in charge of the bank's related banking services division, with responsibility for the bank's main UK subsidiary companies.

He diverged from the usual pattern in 1973, however, when he left National Westminster to join a secondary bank, Burston and Texas Commerce Bank, as chief executive. He was subsequently general manager of the then consortium bank Midland and International Banks, before joining Manny Hanny in April 1978. He has already been in the job for over five years, therefore, and expects to stay there.

This also makes a difference in another role he has fulfilled over the past couple of years as chairman of the American Banks Association of London. He took over this position in unusual circumstances after his predecessor, Bill Harrison of Chemical Bank, had to give it up when he gained promotion to head his bank's European operations.

Mr Robinson insists that he will not hold the chair at ABAL longer than two years; by that time he feels he will have made his contribution. Meanwhile, he has found that the job from time to time involved a fair amount of work. ABAL, like the other London banking associations and the umbrella British Bankers Association, is an important channel for discussion and comment on proposals put forward by the UK and other authorities.

For his own bank he argues that life in UK and international banking has become considerably more difficult. In the British market competition has become more intense, partly as a result of the much more aggressive approach of the British clearing banks themselves.

International business generally has been hit by the loan problems. In London in particular, he argues, it has been affected by the competition of the New York international banking facilities which have "undoubtedly robbed London of some offshore business."

The general thrust of Manufacturers Hanover, he says, is towards the expansion of international financial service activities and in particular cash management, where the US banks have enjoyed a lead over their European competitors partly because of the different structure of their domestic banking market.

In Britain the bank has not attacked the retail banking market on any scale, although it has a "modest" instalment credit operation and has been active in mortgage lending.

The main target is among the larger UK companies—Mr Robinson says the bank has a direct relationship with perhaps 500 out of the top 1,000—where after 50 years of operating in London Manufacturers Hanover has "a natural customer base."

**Michael Blanden**

# Leasing cuts tax bills

## Taxation

DAVID FREUD

THE TOPIC that generates possibly the greatest degree of conflict between the authorities and the banks is taxation. The banks are notoriously reluctant taxpayers and have developed and exploited a series of mechanisms over the years to reduce their bills to a minimum. Against some of these devices the authorities have mobilised legislation to call a halt. Against others they have failed to find an effective means of proceeding. Still others they have grudgingly come to accept.

So in recent years Finance Acts have contained measures to stop "Section 233" loans, whose interest receipts were not taxable, and a leasing variation known as the "double dip" or "grand whammee," whereby the banks introduced UK tax allowances into U.S. transactions, which also obtained U.S. allowances. The Government was less successful in curbing banks' use of tax sparing agreements in double tax treaties and it has left leasing more or less alone.

### Low levels

It is by developing the lease formula that banks have in practice kept their tax bills at rock-bottom levels in the last half-decade, paying only the amount necessary to cover the Advance Corporation Tax payable on dividends. The low tax bills, combined with what was perceived to be high profitability was the main justification for a one-off levy on the banks in 1981.

At the heart of any discussion of bank tax, therefore, is the issue of leasing. This is the principal mechanism used by the banks to reduce their tax bills. Yet the mechanism is also the means by which the cost of capital expenditure to companies is kept low—an outcome welcomed by the Government.

For the time being the banks seem to have staved off any immediate threat. The then Chancellor, Sir Geoffrey Howe, announced in his 1982 Budget that "we shall need to give much further thought . . . to the problem of how best to ensure a sufficient contribution to tax revenues for the banking sector." After a year of uncertainty his conclusion came as something of an anticlimax. In the 1983 Budget speech Sir Geoffrey Howe explained: "I have examined the position with great care in the light of current circumstances and have concluded that it would not this year be sensible to tighten the tax regime for banks."

The Bank of England had meanwhile indicated its strong backing for the banks on the topic of leasing. A year ago the Quarterly Bulletin found: "It seems likely, therefore, that most of the benefit to lessors arising from tax allowances is being passed to lessees." That conclusion received further support in April from a study conducted by the Institute for Fiscal Studies called "Issues in Bank Taxation." Assessing raw data based on 103 individual leases taken from a variety of sources, the study found that about 80 per cent of the benefit might be passed over to the lessee.

Not surprisingly, the Equipment Leasing Association, formed by the big lessors and dominated by the big banks and claiming to account for at least 90 per cent of the market, supports that interpretation. Indeed, its latest figures—for 1982—do show strong leasing growth in the mainstream business of supplying hard hit UK companies with capital assets, whereas in some previous years the emphasis has been on items of less clear-cut benefit to the economy—such as car leasing or foreign deals involving foreign equipment.

Leasing is a transfer of tax allowances. Since 1972 the legislation has allowed buyers to claim 100 per cent relief in the year of purchase for a wide range of capital equipment. Businesses which do not buy anything like enough assets for their own use to match their profits, in particular banks, soon began to buy the assets and pass them over for the use of manufacturers through a leasing agreement.

In practice this has meant that the investment incentive was shared, through the leasing rates, between the lessor who was deferring his tax liability until he had to pay tax on his rental income, and the lessee, for whom the rental would be very much lower than the interest rate burden of buying outright if he did not have taxable capacity of his own.

### Allowances

This standard transfer of the tax allowance is called a finance lease. Other types of leasing are more akin to the concept of hire — although demarcation lines are wearing thin in some places. The rapid growth of the finance lease is indicated by the figures of the Equipment Leasing Association. In 1971 annual leasing undertaken by members was £159m: in 1976 £421m. By 1980 leasing undertaken in the UK totalled £2.2bn, rising to £2.7bn. This figure suggests that finance leasing may account for something near 15 per cent of UK capital expenditure.

Anxiety about disturbing a device of this significance suggests that the Government will be cautious in any changes it makes in the leasing legislation. Less obviously, it also makes for caution in the whole field of bank taxation. For the authorities are likely to be unwilling to make tax changes that affect the banks' taxable capacity to such an extent that their involvement in the leasing industry is sharply affected.

As the IFS study "Issues in Taxation" points out: "What are perceived as problems in the taxation of banks are in fact the result of deficiencies in the corporation tax system as a whole." The banks, through leasing, are spreading the effect of tax allowances—allowances which would be useless for a majority of companies in most recent years because of the mountain of tax losses—estimated at £35bn and rising at £5bn a year.

Yet the IFS study opens up another area which may be open to attack when it points out that the main exemption enjoyed by banks as compared to other companies is from Value Added Tax. The study concludes: "This exemption is on practical grounds rather than for any reason of principle. The tax treatment of activities which are paid for by a spread between borrowing and lending rates raises issues and anomalies not only in Value Added Tax but for other taxes as well, in particular for income tax, for the present system of taxation in effect allows households to deduct their expenditure on services provided by banks from income in computing their taxable income.

"It is in this area we believe further consideration of special problems raised by the taxation of banks is justified. These distortions are a characteristic of all financial companies that do not charge explicitly for their services. We believe that it is possible and desirable to ensure that financial services—like other commodities—are taxed when they are bought by final consumers and—like other commodities—are not taxed when they are bought by intermediate consumers. This conclusion implies that banks should charge explicitly for their services and so be subject to VAT, while households should not be able to deduct these charges when computing their income for tax purposes."

# Tough challenges ahead

## Bank unions

BRIAN GROOM

THE BANK trade unions, which represent roughly two-thirds of the 230,000 staff in the five main English clearing banks, face one of the most uncertain periods in their history. New technology, re-organisation and cost-cutting by the banks have deepened union rivalries and the strength given to employers by unemployment confronts them with stiff challenges.

The main unions are the 93,000-member non-TUC Clearing Bank Union (CBU), a confederation of the in-house staff unions at Barclays, National Westminster and Lloyds; the TUC-affiliated Banking, Insurance and Finance Union (Bifu), with over 75,000 members across the five main clearers (and as many again in Scottish banks, the Co-operative Bank, trustee savings banks, insurance companies and other financial institutions); and the Association of Scientific, Technical and Managerial Staffs, which is less significant in banking than in insurance but none the less has 4,500 members at the Midland.

An attempt to start talks on amalgamation between the CBU and Bifu—the third in recent years—has dominated the past year, and has collapsed because of the old problems of distrust, divergence of aims, and underlying personnel difficulties.

It began with secret talks involving Mr Jack Britz, then CBU general secretary, Mr Leif Mills, Bifu's leader, and the chairman and president of the two unions. A five-point framework for negotiations was agreed but foundered when the CBU executive, concerned about a number of issues including autonomy insisted that there must be no preconditions.

The question of a merger will arise again but it is difficult to say when. Its potential effect is also hard to gauge. Those union activists who want a merger believe it would strengthen them. A number of employers, however, while acknowledging that the present situation lets them play one off against the other, believes that union membership would fall if one single TUC-affiliated union was formed, because of the hostility of many bank staff to the mainstream trade union movement.

The collapse of talks was followed soon by the resignation of Mr Britz, CBU's first general secretary, over policy differences with his executive. Leaders of the three constituent staff unions insist that these ruptions do not jeopardise the CBU's future, but there is a strong feeling within the banks that it lacks direction. The rapid membership growth it hoped for when it was formed from the three former staff associations has not materialised.

The CBU is indignant about what it feels to be cynical exploitation by the banks of the oversupply of labour to enforce wide-ranging measures to cut back on wage costs, which account for two-thirds of operating costs. These include tight controls on manning levels, higher work loads and a squeeze on fringe benefits. It has considered industrial action—or some kind of protest action—for the first time ever but embarking on this at a time when militancy is dampened everywhere by unemployment would be to row against the tide.

The union's leaders believe the traditional loyalty of bank staff to their employers is weakening but all the evidence suggests CBU members are still far from militant. Support for a mild proposal to ban voluntary unpaid overtime over this April's 5 per cent pay offer was tested at Barclays but proved insufficient.

The CBU's rival, Bifu, has come of age with the accession this autumn of Mr Mills to the TUC General Council under the new system of automatic representation for unions with more than 100,000 members. Bifu has been growing steadily, partly by mergers with staff associations in insurance: it now has more than 150,000 members.

### Setbacks

But the union none the less has its problems. Its inexorable growth by amalgamation has encountered setbacks recently in the form of disappointing failures to win mergers with the Bank of England Staff Organisation and the Sun Alliance Staff Association. Leaders have also been concerned about the establishment of an internal broadly Left group. On the one hand they feel flattered that Bifu is now considered important enough to merit the Left's attention; on the other they believe this could damage its non-political image.

New technology is also a problem. Activists fear job losses and de-skilling if new equipment is not introduced on their terms — a 28-hour, four-day week — but the attitude of ordinary members is less clear-cut. At this year's annual conference Bifu saddled itself with a more militant policy of resisting the introduction of new equipment unless employers signed new technology agreements, allowing the union to negotiate its introduction and safeguard jobs. It will be difficult to make the policy stick.

The difficult climate in which Bifu has to operate is underlined by a series of issues which have emerged with several employers. Reorganisations are taking place in banks such as Barclays, Midland and Royal Bank of Scotland/Williams and Glyn's, some of them leading to job losses. The Scottish banks are the latest in a stream of employers who have demanded an end to the unilateral right of either side to refer disputes to binding arbitration. Industrial action has been threatened on possible compulsory redundancies at the Co-operative Bank.

# The number keeps increasing

## The foreign banking community in London

MICHAEL BLANDEN

IT WOULD NOT have been surprising if the flow of foreign banks opening offices in London, which has continued without pause for many years, had slowed down over the past year or so. London remains the world's leading international financial centre, but it is an expensive place to run a banking operation and there have been several factors which might have been expected to reduce the attractions for newcomers — if not to persuade established offices to leave.

First, the UK economy has been depressed, and the opportunities for foreign banks to develop lending to British corporate customers therefore limited. Second, on the international banking side the banks have been affected by the problems of rescheduling of country debts and the sharp decline in international syndicated lending. Furthermore, the establishment of the international banking facilities in New York must have had some effect on London's offshore banking activities as well as taking business away from other centres such as the Caymans — though the impact may have been disguised by the continued overall growth of Eurocurrency markets.

Despite these developments, however, the number of foreign banks in London has continued to grow. The listing of foreign bank offices published in *The Banker* of November last year showed that a total of 379 foreign banks had established direct representation in London, through branches, subsidiaries or representative offices, a net increase of 29 compared with the previous year.

This year's listing is not yet finalised but there has again been a considerable number of newcomers, possibly totalling 25 or so. The attractions of London remain its pivotal role in international banking, related to its long-established banking traditions and its pool of experienced bankers, its advantageous time-zone, the fact that it speaks English, the language of international banking, and the strength of the other financial markets which the City is able to offer.

There has, however, been a change in the pattern of new banks arriving in the City. Virtually all the world's largest banks are already established in London; some of them have been there for a long time. Out of the top 100 banks in the world, as defined in *The Banker's* June listing, only 10 had no direct representation in London last November — and of those several were represented indirectly through joint ventures. Three more of the top 100 have come — Rabobank Nederland, Shockochukin Bank of Japan and Skandinaviska Enskilda Banken, which has been building up its own recently established investment banking operation.

The more recent newcomers include a variety of types of bank. There has been a considerable number from the heavily indebted countries of Latin America, with, for example, six new entrants from Brazil last year. There has been a trend for banks with more specialised origins such as savings or mortgage operations in various countries to extend their horizons into international activities, with London as one of the first ports of call. Moreover there has been a tendency for banks which had previously relied on joint ventures operations to provide a London presence to set up their own offices now that they feel able to deal with international business from their own resources.

### Pioneer

London pioneered the consortium approach to international banking at a time when the Euromarkets were relatively new and many banks felt a need to share the risks and draw on joint experience to undertake an unfamiliar type of business. Many of those banks have now reached international maturity and in consequence there have been some significant changes among the consortium banking community.

The oldest of the consortia, Midland and International Banks, established in 1964, was bought out by Standard Chartered Merchant Bank, a subsidiary of one of its shareholders. The two shareholders in Banque Française de Crédit International—Crédit Commercial de France and Banque Internationale pour l'Afrique Occidentale—decided to close the joint operation and open their own offices.

International Energy Bank, one of the banks set up when it was fashionable to go in for more specialised types of activity, has been bought out by Société Financière Européenne—itself a consortium in which Barclays, which retains a 15 per cent stake in IEB, is also a shareholder. There has been a good deal of shuffling among the Scandinavian banking groups, which have particularly favoured the joint venture approach.

Nordic Bank is being bought out by its Norwegian shareholder, Den norske Creditbank, with the other participants setting up their own operations. The other large Nordic consortium, Scandinavian Bank, has seen its two Danish shareholders sell out to the other partners.

But at the same time other Scandinavian banks have come in through joint ventures; notably SKOPbank and Swedbank in the FennoScandia group and a joint representative office for four smaller banks from the region, Fiskernes Bank, Jyske Bank, Uplandsbanken and Wermlandsbanken. And yet another new arrival is itself a joint venture, Banque Arabe et Internationale d'Investissement, which agreed earlier this year to buy the small merchant bank Gray Dawes Bank.

If the pattern is changing, therefore, there is no sign of flagging interest in maintaining operations in London; indeed, with a considerable number of banks opting for direct rather than indirect representation, the opposite seems to be the case. It is reasonable to ask, then, what the attractions are.

London certainly has a number of advantages as an international financial centre. But it might be questioned whether it is really appropriate for what are in some cases relatively small savings, mortgage or regional banks to undertake a significant international commitment; and whether the cost of maintaining even a modest representative office in London can be justified by the returns or even by any improvement in service which can be offered to the clients of the bank at home which could not be provided through the more traditional channel of correspondent relationships with UK banks.

Whatever the reasons, however, there is no doubt that the presence of the foreign banks in London has made a substantial impact on the British banking community and not only in the arena of international banking. Competition from the foreign banks for domestic UK business, particularly in the corporate sector, has undoubtedly contributed to the creation of a much more aggressive approach among the UK clearing and merchant banks.

The competitive atmosphere has been heightened by the extension of the privilege of eligibility for bank bills to be rediscounted at the Bank of England which was put into effect in August 1981: this led to a sharp rise in the volume of acceptance credits—the market has more than doubled in size to over £13bn—and stiff competition which cut returns to the bone, prompting the Bank to ask a number of foreign banks to cut back their activities in this area.

Most significantly, the foreign banking community has taken a substantial slice of domestic lending, particularly in the corporate sector, with the American banks in the forefront. Figures from the Bank of England Quarterly Bulletin show that in May this year the foreign banks accounted for around 15 per cent of the total sterling advances of banks in the UK and for as much as 65 per cent of advances in foreign currencies.

The foreign banks are therefore a vital part of the City of London's community, recognised by the importance which the Bank of England itself has placed on listening to their opinions as it exercises its supervisory role, and an essential competitive component in a domestic market which might otherwise be rather too cosy for the bankers.

**FOREIGN BANKS IN LONDON**

| | Directly represented† | Indirectly represented* | Total |
|---|---|---|---|
| 1967 | 114 | — | 114 |
| 1968 | 135 | — | 135 |
| 1969 | 138 | — | 138 |
| 1970 | 163 | — | 163 |
| 1971 | 176 | 25 | 201 |
| 1972 | 215 | 28 | 243 |
| 1973 | 232 | 35 | 267 |
| 1974 | 264 | 72 | 336 |
| 1975 | 263 | 72 | 335 |
| 1976 | 265 | 78 | 343 |
| 1977 | 300 | 55 | 355 |
| 1978 | 313 | 69 | 382 |
| 1979 | 330 | 59 | 389 |
| 1980 | 353 | 50 | 403 |
| 1981 | 353 | 65 | 418 |
| 1982 | 379 | 70 | 449 |

† Directly represented through a representative office, branch or subsidiary
* Other banks indirectly represented through a stake in a joint venture or consortium bank

Source: The Banker, November 1982

# UK's enviable position

## International banking

DAVID LASCELLES

IN COMMON with banks all round the world, the big British banks have had to grapple with major problems resulting from the LDC debt crisis in the past 12 months.

But, on the whole they have been better off than their foreign counterparts: not only has their exposure to the LDCs been generally smaller; they have also been in a position to make substantial provisions against doubtful foreign loans.

Three of the big four, Barclays, NatWest and Midland, reported higher interim profits this summer despite higher bad debt provisions compared with the same period last year. Only Lloyds, which has the largest exposure to doubtful loans, because of its strong traditional involvement in Latin America, had lower profits—albeit only modestly so—because of a doubling in provisions.

Ironically, those broadly encouraging results from the Big Four were in large part due to the profitability of the banks' foreign operations. This was so even at Lloyds, whose international subsidiary LBI earned as much in the first half of this year as in the whole of last year.

Despite Third World debt foreign lending can still be lucrative in the right places. But on top of that, fee income, foreign currency trading and the depreciation of sterling boosted income as well. This contrasted with the flatness of business in the UK and enabled NatWest, for instance, to raise the share of profits earned abroad from one third to half the total.

Some signs of improvement are also noticeable in the large, but somewhat lacklustre U.S. operations of Barclays, NatWest and Midland. Barclays was forced to make large provisions against bad American debts, and has given its U.S. commercial banking business a thorough shake-up. But it is now looking for healthier returns.

NatWest's National Bank of North America, whose image is being refurbished to identify it more closely with the parent, is showing higher profits. Midland's Crocker Bank in California is still dogged by poor real estate loans but the group says it is encouraged by the pick up in the Californian economy.

For all these banks, including Lloyds which has a long established retail banking business in California, the U.S. marks the major thrust of their overseas development. The U.S. banking industry is, however, on the brink of major regulatory changes which should be extremely challenging.

One of the objectives for American diversification is to tap new funding sources. NatWest became the first clearer to take advantage of the streamlined SEC "shelf registration" last year to make a $250m debt issue. Barclays registered $500m, and has so far floated $400m of that.

The LDC debt crisis has certainly not caused any rethinking along Lombard Street about diversification overseas. As Mr Peter Leslie, general manager at Barclays put it, cross-border lending is a relatively small part of the UK banks' international operations. However, he is concerned that the stretching out of LDC debt will lock up assets on bank balance sheets, and he has proposed a scheme wherby central banks would discount existing bank loans for cash, on condition that banks re-lent the proceeds to the original borrowers.

Like many such "lifeboat" schemes, it has not generated much enthusiasm at official levels. But Mr Leslie remains convinced that the commercial banks will not be able to supply the kind of loan volume needed to ease the LDC crisis, and that governments will have to step in with substantial extra funds.

**LATIN AMERICAN LOANS (£bn)**

| | Barclays* | NatWest | Midland | Lloyds** | Standard Chartered* |
|---|---|---|---|---|---|
| Loans | 2.3 | 1.8 | 3.6 | 3.6 | 0.9 |
| Equity | 2.9 | 2.6 | 2.0 | 2.0 | 1.3 |

* Includes loans to all countries experiencing difficulties such as Eastern bloc. These additional items are small. **Lloyds has disclosed Latin American loans of £2.7bn, excluding Mexico.

Source: Published accounts and IBCA Banking Analysis.

# Aim to develop foreign side

## Money brokers

DUNCAN CAMPBELL-SMITH

THE FIVE leading London money brokers are still running fast on the City's inside track. The profitability of their basic foreign exchange and currency deposit broking business has undoubtedly slowed over the last year or so—and the shares of the four publicly quoted companies in the sector have in recent months given up a sizeable part of the gains made in a boom period since 1980. But the brokers themselves continue to chase new developments which have already generated very considerable growth for them and which make them a natural subject of speculation in the City's present climate of change.

Geographically, all five have established dominant positions in New York as well as London and are working with varying degrees of commitment to expand their international coverage further. Tullett and Riley International—the odd man out of the five in remaining unquoted—has only recently been reconstituted as Tullett and Tokyo Forex International, for example. As this might suggest, Tokyo is the foreign market most favoured to provide another major source of growth for all the brokers.

At present the scope for the brokers to act in Japanese markets is seriously constrained, rather as it used to be in New York before 1978. The ground rules do not allow the Japanese banks to use the brokers as intermediaries in their international foreign exchange and deposit transactions. Any change in this situation would open a very big potential market, though it is a moot point how much business the brokers might lose in Hong Kong and Singapore as a result.

Working practices in Tokyo's foreign exchange markets are being brought increasingly into line with those prevailing internationally, a process many observers think should be completed within a couple of years.

"When all this happens," says Mr Bill Matthews, finance director of Exco International, the broker most respected for its knowledge of the Japanese scene, "the logical outcome must be that the banks, once allowed to deal with local brokers, will do so rather than deal directly with banks overseas. Suddenly they could use one or two brokers in place of having 30 or 40 telex machines as at present."

The second line of diversification for the brokers is taking them into new financial markets. Mills and Allen, for example, which itself has a long-established relationship with one of the leading domestic broking companies (the "tanshi) in Tokyo, has also this year expanded further in New York. In April it spent $26m acquiring Garban, one of the four wholesale dealers in U.S. government securities.

This product diversification, moreover, has now in some cases gone well beyond a horizontal expansion into other dealing activities. Exco International has just secured majority control of Telerate, the New York financial information service and acquired control in August of Gartmore Investment Management. The latter transaction in particular, while widely acclaimed as a shrewd addition to Exco's interests, exemplifies the progress made by the top brokers towards becoming vertically integrated financial service groups.

### Convenience label

Astley and Pearce and M. W. Marshall, two of the best known names in the traditional London broking market, are respectively owned by Exco and by Mercantile House. Both these parents now have a spread of interests which renders the term broker little more than a label of convenience when applied to the groups as a whole. Mr John Barkshire, chairman of Mercantile House, needs no prompting on the matter: "We are a financial services group. We draw far more from stockbroking and fund management than we do from money broking, which now accounts for less than 20 per cent of our profits."

Mercantile House owns the Oppenheimer stockbroking group in New York. Exco also owns a stockbroking subsidiary in W. I. Carr, Sons and Co, which is based in Hong Kong, and other money brokers have developed securities dealing expertise elsewhere. The obvious question now must be: will one or more of them move in on the UK stockbroking community in order to gain access to a reconstituted London Stock Exchange?

Few if any analysts of the sector have any real doubt that this is going to happen. It is even regarded as a possibility for R. P. Martin, the least diversified so far of the money brokers. Certainly all the quoted companies have now enjoyed such a rapid expansion of their market capitalisations that financial considerations will be no bar to their gaining control of stockbroking partnerships in the City. For the moment the Stock Exchange's own ruling against any non-member firm having more than 29.9 per cent of a partnership appears a deterrent; but this could easily change if reforms looked imminent or competitive pressures built up among prospective purchasers.

When it comes to takeover speculation, however, the money brokers can feature on either side. Here again there is a certain uniformity of view among the senior executives, who take a philosophical view of the chances. While the possibility is envisaged calmly enough, though, many observers expect to see the brokers consolidating some tangible assets in the near future, not least to build up their balance sheets in case of a sudden bid approach.

# Easier terms bring some problems in their wake

## Finance houses

RAY MAUGHAN

THE MEANS by which credit is offered in Britain have been developing rapidly in the last few years and the finance houses can reasonably claim that they have been able to respond adeptly. Throughout a period which has seen the introduction and astonishing growth of credit cards, the increasing acceptance of budget accounts, revolving agreements and point-of-sale facilities, hire purchase has held its share of the total credit market at 40 per cent.

The business received an enormous shot in the arm in the summer of 1982 when the Terms Control was abolished. As a result of consistent lobbying the industry eventually freed itself of the leading shackle which, as the finance houses saw it, had hindered expansion in important manufacturing sectors, notably the car industry.

From July 27 the limits that meant that car buyers had to repay within 24 months and put down an initial 25 per cent deposit were gone. The rate of growth in the consumer lending market almost doubled between the first and second halves of the year to 29 per cent between July and December.

The boom has continued. Government statistics released recently showed that finance house outstandings at almost £12.4bn in June were a fifth higher than 12 months previously.

In spite of this buoyancy many of the leading finance houses are concerned about the problems that unfettered hire purchase arrangements may bring. Most obviously, the provision for bad debt and late repayments has grown from £30m to £130m in the past four years.

The Finance House Association, the body representing most of the companies that count in the industry and which maintains its very necessary contacts with the Inland Revenue, the Office of Fair Trading, the Bank of England, and other organisations has advised caution. Its members are recommended to ask for a 20 per cent down payment and a three-year term. That should be good enough but the FHA is concerned that "fringe" operators are asking for little or no deposit and four years within which to repay.

Evidence of the impact of bad debt is sketchy at present but leading houses such as Lloyds and Scottish, United Dominions Trust and First Co-operative Finance have all highlighted the problem, to one extent or another, in trading statements this year.

Fortunately the structure of the business is changing. When Lloyds and Scottish, which is controlled by Lloyds Bank, bought Bowmaker, formerly a subsidiary of C. T. Bowring, the insurance broker, and The Trustee Savings Banks took over UDT, the deals served to highlight the growing importance of the big High Street banks in instalment credit. Barclays, for example, runs Mercantile Credit and National Westminster owns Lombard North Central.

This relationship, however, does not ease one of the Finance Houses' nagging problems. Some 60 per cent, the FHA has calculated, of the sector's short- and medium-term lending is on fixed interest rates whereas 56 per cent of its own funding last year was taken at market-related rates, much of it on a three-month, roll-over basis.

Lacking the endowment profits which the houses' clearing bank parents still enjoy, the instalment credit companies are forced to adapt to the fluctuations — sometimes wild and unpredictable swings — of interest rates. As Mr Stuart Errington, chairman of the FHA, remarked earlier this year, "it is that volatility which calls upon all our skill in arriving at a pricing structure which will ensure a prudent margin throughout the length of an agreement."

The skills which have maintained the houses' share of the overall credit market have not been sufficient to preserve profitability. The FHA's figures show that margins after deducting a charge for the cost of shareholders' funds have fallen from 2.47 per cent to 0.11 per cent between 1978 and the first half of 1982 which, when the notional cost of shareholders' funds is included, means that the houses are making annualised profits of £1.76 for every £100 on the books against £3.91 four years ago.

While nobody is claiming the current experience is anything like so severe as the financial and property slump of the early and mid-1970s, the houses have been exploring new avenues to fund on a longer and more secure basis.

Interest rates look relatively calm at present but when the water becomes choppier once again, the instalment credit industry must contemplate a funding base which, last year, comprised only 14 per cent of its own equity and 20 per cent of deposits from the public. There may be a way out in that the FHA members' total 7m corporate and consumer customers who are served from 1,700 branches throughout the country. Almost 200,000 customers keep their savings in finance house deposit accounts and a vigorous campaign to attract new depositors could ease some of the pressure on operating margins.

As it is the consumer credit market appears to be shifting in two opposing directions. On the one hand, small loans business — revolving credit — has increased while, on the other, there has been a rise in longer-term lending through mortgage and home improvement advances

PROFILE: Fred Crawley

# Eye on improving branch system

"IT'S QUITE a culture shock to move from a bank which has 20 per cent of the market to run a bank which has only 2 per cent—you can invent perpetual motion and no one notices." Fred Crawley, deputy chief general manager of Lloyds Bank, has just returned from California and is now picking up the threads of his old job.

He was sent over as chief executive of the bank's U.S. subsidiary, Lloyds Bank California (LBC), after the bank reported operating losses of $2.32m in 1981. Like other U.S. banks, LBC was hit by rising funding costs on its largely fixed rate lending portfolio. Now, Mr Crawley says, the bank is on the road to recovery, after an operating loss of $3.45m last year. "We shall come out with a fairly modest profit this year."

He found his U.S. stint a very "refreshing experience. It was great fun to run a little bank particularly when the waves of deregulation began to crash around our ears." He has watched the move of retailers such as Sears Roebuck into the financial services field with interest. "We still have a lot to learn from retailers," he says. With electronic systems already in place for accounting and stocktaking, financial services are just another string to their bow. The larger potential UK threat, he thinks, is the Post Office, though it seems unlikely that it will exploit this potential.

One U.S. idea which the bank is exploring seriously is picking off the creamier segment of the retail sector by targeting efforts towards "upscale" customers with salaries in the £20,000-plus bracket. This is an area which some UK merchant banks are already moving into but Mr Crawley argues that a clearing bank can offer just as tailored a service. "If you've got a big trust department you don't have to rely too much on one or two brilliant people," he says, "and our geographical reach offers a personal delivery service."

Unlike Midland Bank and Barclays which both announced branch closures earlier this year, Lloyds does not see the need for cutbacks although it has closed a number of sub-branches recently. Mr Crawley argues that Lloyds never had any "partially digested mergers" to contend with and that in some areas of the UK—the north-west, for example—the bank is even under-represented.

Instead he is seeking to improve the quality of the branch system and although the bank are still considering "satellite" banking, it is now concentrating on the "chief manager" concept. This has been operating over the last year in four areas and involves a senior manager in one area co-ordinating the marketing efforts of a number of branches.

"It is awfully difficult to decide on a branch's catchment area and this has sometimes led to a lack of sensitivity to one's own patch. We are encouraging branch managers to till their own areas more intensively." Mr Crawley stresses, however, that this does not mean creating another layer of management between regions and branches.

Mr Crawley is a typical career clearing banker, joining Lloyds at the age of 16 and working his way up through the domestic network until he was sent to the newly acquired First Western Bank in California in 1975 "to help the two banks get to know each other." He was therefore a natural choice for the post of chief executive there last year. He was appointed deputy chief general manager in 1978 and although there was some speculation that he might remain in California he was recalled to his old post earlier this year.

One of the pluses of his job has been the ability to combine banking with his main passion—aviation. Financial backing by the bank for Edgley Aircraft, manufacturers of the Optica light iarcraft, came about after a chat with the company's directors at the Paris Air Show. Lloyds Bank also sponsors a number of air shows. "It has been suggested," says Mr Crawley, whose office is decorated with models of commercial aircraft, "that the bank does these large air-export finance deals so that I can keep the model. I completely deny it."

**Jenny Ireland**

# Sorties south of the Border

**Scottish**
MARK MEREDITH

INTERESTING things are happening in Scottish banking: major reorganisations, moves to extend influence south of the Border, more pioneering work in electronic banking and intensified activity in the retail *banking sector* — even new banks.

In June the Royal Bank of Scotland announced the long-awaited merger of the Royal with its subsidiary Williams and Glyn's in England, creating the fifth largest High Street bank in Britain after Lloyds.

The merger, a key goal of Mr Sid Proctor the Royal's general manager, will put banking devolution to the test with a powerful London branch handling much of the city-based business while administration remains Scottish and in Edinburgh.

The Bank of Scotland, meanwhile, has opened a Southampton branch, its eighth office south of the Border, and launched an experimental home banking service through the Prestel system in co-operation with the *Nottingham* Building Society.

The Clydesdale Bank, a wholly-owned subsidiary of the Midland, has expanded its point of sale agreement with BP, allowing customers at 26 petrol stations in Scotland to pay with their bank cash cards.

The Trustee Savings Bank has emerged as a thrusting force with eyes on the retail banking sector despite the traditionally held view that Scotland is overbanked. Four savings banks amalgamated in May to form TSB Scotland with considerable autonomy within the national framework to compete with the three Scottish clearing banks.

Two would-be banks have also been formed in Scotland. Quayle Munro, set up by Ian Jones, formerly of the British Linen Bank, and Michael Munro, a director of East of Scotland Investment Managers, hopes to eventually apply for a deposit taking licence from the Bank of England. Adam and *Company*, launched in the spring, intends to become a private retail bank specialising in personal banking.

# Lessons learnt from hard times

**N. Ireland**
BRENDAN KEENAN

BANKS IN Northern Ireland are steadying themselves after a recession which saw the disappearance of much of the Province's manufacturing base and three years of economic stagnation. There are hopes that the worst may be over and the banks are looking *ahead to* a period of retrenchment, with the emphasis on improved efficiency and services rather than growth.

There are four clearing banks in Northern Ireland. Two of them — Northern Bank and Ulster Bank — are subsidiaries of Midland and Nat-West respectively, while Allied Irish and Bank of Ireland have their headquarters in Dublin.

*All four report results on an* all-Ireland basis and only Northern has the bulk of its business — about three quarters —in Northern Ireland. In practice, however, most Northern Ireland business is run separately from the bank's Belfast head office.

In addition the Trustee Savings Bank has provided sturdy competition for the Big Four, offering more flexible opening hours and customer services than the clearers have so far managed.

Bad debts have been the major problem for all the banks since 1979 as manufacturing companies across the Province went to the wall or ran into difficulties. Northern Bank as the traditional lender to the textile and engineering industries, was particularly hard hit. Its subsidiary, Northern Bank Development Corporation, suffered severe losses in the property and new industry sectors in which it specialised.

The banks have been sheltered somewhat by their lack of foreign exposure and by the importance of agriculture in the local *economy*. *On average, a* fifth of the bank's lending is to the agriculture sector, with Allied Irish having a traditional hold in this area.

Farm incomes picked up this year after two very bad years. But farmers are sound customers, with much lower borrowings than industry, and even in the lean years bad debts were not a serious problem.

The banks have also benefited from their moves into mortgage finance, where demand has exceeded expectations and compares well with UK levels. There has also been a boost for their hire purchase subsidiaries and associated companies as a result of the big increase in new car registrations this year.

The worst may be over but all the banks believe recovery in Northern Ireland will be even slower than in the UK as a whole. One banker warned that more companies will fail in the recovery stage because they now lack the resources to compete for new business.

Demand is expected to remain flat for the foreseeable future and the banks will be *competing for increased mar*ket share through improved customer services. They face tough competition from the rapid expansion of the building societies but with only 62 per cent of Northern Ireland's population having any form of bank account there is scope for expansion.

Computerisation of Irish banking opens up real possibilities. The banks are investing between £12m and £20m apiece in computerisation. Ulster and Northern having come last into the field may be able to jump ahead to complete on-line computerisation of their branch networks.

## Approaches differ

Some differences in approach are already apparent in terms of service to customers. The Bank of Ireland, Northern and Ulster are offering interchangeability of their automatic cash dispensers from November and the facility will apply in Britain and the Irish Republic.

Allied Irish has pinned its faith in on-line automatic tellers and is having discussions with the Trustee Savings Banks about a reciprocal arrangement with them. The bank plans to offer its customers a "one card system" covering cheques, credit and automatic withdrawals and deposits. The banks are still adjusting to free competition and there are as yet no obvious signs of change. They do not believe there will be open competition on interest rates but some think there will be a widening of the spread offered to the individual customers.

The absence of foreign investment in Northern Ireland has led to concentration on the encouragement of local industry and the banks are of necessity the main source of finance. They work closely with Government promotional agencies and there is a Government-backed loan guarantee scheme. It is a difficult high risk area, however.

Development is hampered by the absence of venture capital and the unwillingness of institutions to invest in Northern Ireland projects. Ulster Bank plans to start a venture capital fund which may help channel some of the Province's estimated £900m savings back into industry.

The banks have learned some hard lessons since 1980. As well as organisational changes there is now much closer liaison between the banks and their customers and more intensive monitoring and analysis of their financial circumstances.

"The old boy network is gone for good," says one senior banker. "Over the next 10 years it is the most efficient bank which will succeed."

# On road to recovery

**Isle of Man**
ALAN FRIEDMAN

THE Isle of Man has been shaken badly over the past 12 months by the banking crisis which followed the collapse last year of the Savings and Investment Bank (SIB). The bank's depositors face potential losses of £45m. But the tiny offshore tax haven is now on the road to recovery and has taken a *number of steps to protect its* reputation and attract other financial institutions.

Key among these moves has been the appointment of the island's first-ever banking supervisor, Mr Jim Noakes, a former Bank of England official who served as a private secretary to the governor and spent three years working with the Bahrain Monetary Agency to improve regulation there.

Mr Noakes is one member of a troika of supervisors brought in recently to beef up the Manx Government's financial supervision. Mr Duncan Neil is the new insurance supervisor and Dr Martin Owen is the commercial relations officer as well as *de facto* head of the evolving department of financial supervision.

Legislation has been drafted to tighten up the island's supervision of banking and *finance and its Government has* declared a moratorium on the granting of new licences for banks unless they are subsidiaries of institutions of international repute.

## Right calibre

A few months ago Dr Edgar Mann, the chairman of the island's finance board (and effectively its Chancellor of the Exchequer), announced that deposits in the island's 45 banks and eight deposit-takers had risen by 34 per cent to £1.4bn in the first quarter of this year. Dr Mann is frank about the need to tighten up and avoid the traditional old-boy network approach to granting licences: "We've got to be far more sophisticated. We've got to employ a number of people of the right calibre."

The growth of the Isle of Man as an offshore centre is a relatively recent phenomenon and until last January (when Mr Noakes was appointed) the Island had been virtually unregulated. Last year's SIB crisis proved an effective catalyst to action; the Manx Government quickly became aware that without appropriate regulation banking had an uncertain future.

The old approach to the granting of licences was that everybody knew everybody else and anyone known in Douglas circles must be "a good egg." Among the 45 banks on the island are a number of well-known names such as Barclays and National Westminster Bank subsidiaries. But the lack of formal regulation attracted several dubious institutions, or as one official put it, "bad apples."

In recent months the case of one deposit-taker in particular, known as Investors Mercantile Finance, has been occupying the time of not only Mr Noakes and Dr Owen but also of the Royal Ulster Constabularly and the Bank of England. The RUC and Manx authorities have been investigating the possibility that Investors Mercantile may have engaged in unlicensed deposit-taking in Northern Ireland, where most of its £1.9m of deposits were thought to have originated.

The Investors Mercantile case was complicated by speculation that a portion of its deposits may have come indirectly from the Irish Republican Army, but this has not been proved.

The deposit-taker had its licence revoked last December by the Manx Government after its executives refused to supply Dr Owen with audited reports and accounts. By late July of this year two partners from the accounting firm of Peat Marwick Mitchell were appointed as provisional liquidators and official receivers. The liquidation order came two months after Investors Mercantile had been sold—twice in a four-week period.

In recent weeks the provisional liquidators have found themselves in a tripartite negotiation with a group of depositors and Mr Owen Lewinton, an East Grinstead-based property developer who wishes to turn Investors Mercantile into a property company and issue shares to depositors.

Investors Mercantile Finance is not the only deposit-taker to have had its licence revoked by the Noakes regime. Mr Noakes and his colleagues have been combing the records of every bank on the island to ensure there are no irregularities.

Last month the Manx authorities asked 18 banks to provide audited declarations of solvency. This move, like the others, is designed to restore confidence in the banking sector.

The solvency declaration requests, to be handled by the Manx Treasury, are aimed at banks which are, in the words of one official, "not quite top drawer." The specific requirement will be contained in the Financial Supervision Bill, to be laid before Tynwald (Parliament) either next month or in November.

The Manx authorities are clearly aware—indeed acutely aware—of the need to bolster the Island's image when it comes to banking and finance. They are taking just about every logical step to clamp down on dubious companies and promote a more secure image for depositors.

The process will take some time, however, and will not be helped by the stream of depositors who have found themselves potentially penniless as a result of the SIB crash of last year. For these depositors the Island's new clean-up in banking must seem like too little, too late.